PROBLEMS OF SMALL BUSINESS UNDER THE CONTROLLED MATERIALS PLAN

HEARINGS

BEFORE

SUBCOMMITTEE NO. 3 OF THE SELECT COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

EIGHTY-SECOND CONGRESS

SECOND SESSION

PURSUANT TO

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A RESOLUTION CREATING A SELECT COMMITTEE TO CONDUCT A STUDY AND INVESTIGATION OF THE PROBLEMS OF SMALL BUSINESS

PART 4

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PROBLEMS OF SMALL BUSINESS UNDER THE CONTROLLED MATERIALS PLAN

WEDNESDAY, MARCH 5, 1952

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
SELECT COMMITTEE TO CONDUCT A STUDY AND
INVESTIGATION OF THE PROBLEMS OF SMALL BUSINESS,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 304, Old House Office Building, Washington, D. C., Hon. Clarence G. Burton, chairman, presiding.

Present: Representatives Burton (presiding), Joe L. Evins, R. Walter Riehlman, Horace Seely-Brown, Jr., and Thomas B. Curtis.

Also present: Victor P. Dalmas, executive director; Arthur F. Lucas, and Duncan Clark of the committee staff.

Mr. BURTON. Gentlemen, we will call the meeting to order.

During the time since the Controlled Materials Plan went into effect on July 1, 1951, Subcommittee No. 3 of the House Small Business Committee has given close and continuous scrutiny to the plan. Extensive hearings on Problems of Small Business under the Controlled Materials Plan were held last fall, and the subcommittee issued a preliminary report on this subject on September 27, 1951.

Many changes in CMP procedures have been made since the preliminary report was issued, and it is apparent that the supply situation also has altered to a considerable extent. For this reason, the subcommittee has scheduled hearings this week and next to obtain information on the current status of the Controlled Materials Plan, with particular reference to the availability of materials for small firms. Witnesses from the Defense Production Administration, the Nationl Production Authority, the Defense Materials Procurement Agency and the Small Defense Plants Administration have been called to testify regarding current CMP operations, the status of the programs for expanding the production of controlled materials, and the current supply situation for controlled materials.

In recent weeks, the subcommittee has noted a great deal of discussion in Government and industry circles regarding the possibility of removing or relaxing controls over certain controlled materials. As a result of these hearings, we hope to obtain information regarding the possibility of decontrol, methods of decontrolling with the least possible disruption to business, and the effect of decontrols upon small businesses.

Most of the witnesses called for the current series of hearings have testified previously before the subcommittee. We have received excellent cooperation from them in the past, and I am sure we will continue to do so.

Our first witnesses this morning are Mr. Herbert Johnson, Director of the Iron and Steel Division, National Production Authority, and Mr. Frank T. McCue, special assistant to Mr. Johnson. They will be followed by Mr. Roger E. Allen, Acting Director, Office of Materials, Small Defense Plants Administration.

First we have Mr. Herbert Johnson.

Mr. JOHNSON. Yes, sir, Mr. Chairman. I have a statement, Mr. Chairman, if you wish that I read the statement.

Mr. BURTON. I think that would be well.

STATEMENT OF HERBERT JOHNSON, DIRECTOR, IRON AND STEEL DIVISION, NATIONAL PRODUCTION AUTHORITY

Mr. JOHNSON. My name is Herbert Johnson. I am Director of the Iron and Steel Division of NPA. I am appearing before this subcommittee of the Select Committee on Small Business in response to a request dated February 25, from your chairman, Mr. Clarence G. Burton. I shall attempt, in this statement, to answer the specific questions which were posed in his letter.

Question No. 1. What is the current steel-supply situation?

Currently, steel supply is generally in approximate balance with controlled demand. I understand that the estimated requirements for steel submitted by the various claimant agencies to the Defense Production Administration still exceed the available supply by a substantial amount. This approximate balance with controlled demand is a result of three factors. In the first place, the Controlled Materials Plan is, of course, designed to achieve a balance through controlling the demand factor. Consequently the present balance is an indication that the Controlled Materials Plan is functioning. Secondly, the rapidly expanding steel-producing capacity of this country is a powerful influence in achieving a balance. During 1951, the steel industry shipped 6,700,000 tons of finished steel products in excess of the shipments of 1950, which were in themselves an all-time record. Finally, the efforts of the Production Directive Committee of the Iron and Steel Division, in arranging steel production to meet the anticipated product requirements insofar as possible, has already demonstrated its success. The Production Directive technique has been fully employed only since September of 1951. However, there are still some items in short supply, such as heavy plates, hot- and cold-rolled bars, wide-flange structural steel, galvanized sheet, and certain alloying materials, particularly nickel. Nevertheless, it is interesting to note, for example, that for the year 1951, production of plates—a critical item—increased 2,233,500 tons, as compared with 1950. Shipments of other tight items also increased to a more considerable extent than the average increase, due in large part to the efforts exerted in cooperation with steel producers. Production of hot-rolled bars—another critical item—in the second quarter of 1952 will be at an annual rate of approximately 3 million tons in excess of the highest production rate in our history.

Question No. 2. As you know, all third-quarter CMP orders were canceled on October 7 in an attempt to make CMP operations current. Why have carry-overs developed since that time? What steps are being taken to eliminate such carry-overs? Have they had an adverse effect upon small business?

In the production of iron and steel products, it is customary to operate with some carry-over because of the necessity of keeping the furnaces in constant operation and, in the case of integrated mills, of keeping the operations of the mills synchronized with those of the furnances. It is, therefore, normal at the end of any period of time to have a certain amount of carry-over.

The third quarter of 1951 was the transition period from a priority system to a CMP system. Due to this fact, an abnormally large carry-over developed. Accordingly, direction 7 to CMP Regulation No. 1 was issued in an attempt to cure this situation. This direction required charging of purchase orders not shipped on or prior to October 7, 1951, against a purchaser's fourth-quarter allotment. This reduced the abnormally large carry-over to reasonable proportions and, in the opinion of the Iron and Steel Division, it is not currently so large as to require the taking of any further steps. For most products, the carry-over would be regarded by the industry as a normal carry-over. It is our belief that small business is not adversely affected by a normal carry-over.

Question No. 3. Has the Iron and Steel Division been able to render effective assistance to small businesses in placing CMP tickets?

Mr. Frank T. McCue, Assistant to the Director, Iron and Steel Division, who is in charge of our special assistance program, is presenting a statement and will testify today in connection with this question.

Question No. 4. What was the basis for the decision to retain direction 3 to NPA Order M–1 by incorporating it in the order? What effect has the direction had upon small firms? Do you believe the Government has retained sufficient control over the distribution of steel?

It is the opinion of the Iron and Steel Division that the principle of permitting customers and producers to seek each other out, in accordance with normal relationships, is an extremely desirable concept. This, of course, was the basis of direction 3 to Order M–1. When the order was recently revised, this principle was retained. The benefits of preserving normal relationships accrue both to large and small firms, whether they are producers or consumers. Many small steel users had found that their purchases were seriously dislocated by the inability of their producer to serve them when his facilities had been preempted by other orders on a first-come-first-served basis. This resulted in needless and wasteful cross-hauling of steel products. It also interfered with efficient operation in that a given mill was in a position to anticipate the needs of its historical customers, whereas it was unable to do so for completely strange customers, and in some instances raids were being made on individual mills to the detriment of defense or defense-supporting purchase orders. We believe that the present form of the direction, permitting producers to negotiate with their customers but requiring mandatory acceptance on a first-come-first-served basis in the last 15 days prior to expiration of lead time, is a real safeguard to the interest of small as well as large firms.

The Government retains complete control over the distribution of steel. In the first place, allotments for various programs are made by the DPA Requirements Committee. Since steel cannot be purchased at the mill level without a CMP authorization, the Government, in fact, dictates who is permitted to buy, and conversely to what classes of purchasers the producer is permitted to sell. The privilege of the buyer and producer to make their own arrangements exists only within these limits. Further, the Government retains the right to issue directives requiring steel producers to fill specific steel orders, as instructed.

Question No. 5. What expansion of steel-making facilities has occurred during the past year? What expansion is anticipated during the current year? Will the expansion goals be reached on schedule?

The ingot capacity of the steel industry during 1951 increased from 104,230,000 tons on January 1, 1951, to 108,587,670 tons on January 1, 1952. It is anticipated that the bulk of the steel industry expansion program will reach substantial completion during 1952. Assuming that present revised schedules can be maintained, capacity as of January 1, 1953, should be approximately 118 million annual ingot tons. This means that the capacity of 118 million tons should be reached approximately 6 months ahead of earlier estimates.

Question No. 6. Do you believe that any steel products can be decontrolled at the present time?

The subject of decontrol is being very carefully reviewed both within the NPA and also by a task group of industry representatives set up in conjunction with the Steel Products Industry Advisory Committee. As yet, neither of these has reached a firm conclusion, since there are so many factors which must be taken into consideration. Non-nickel-bearing stainless steel has already been removed from the category of controlled materials and can be purchased without an authorized controlled material order. The Iron and Steel Division has recommended that so-called secondary steel mill products be decontrolled. We understand that this recommendation has been approved and that the action will be promptly taken. This class of material is made up of items which have been rejected as unsuitable for application against prime orders. The volume involved is small and the market tends to disappear when the user must surrender tickets. This is true because the use of secondary materials usually involves extra scrap loss in the salvage operation. Consequently, the prospective purchaser will attempt to buy prime material in order to avoid this attrition in the tickets which he has. Steps are therefore presently under way to decontrol most secondary steel mill products.

Mr. BURTON. Thank you, Mr. Johnson. Before we proceed with questions, it might be well to have Mr. McCue make his statement.

STATEMENT OF FRANK T. McCUE, ASSISTANT TO THE DIRECTOR, IRON AND STEEL DIVISION, NATIONAL PRODUCTION AUTHORITY

Mr. McCUE. My name is Frank T. McCue. I am Assistant to the Director of the Iron and Steel Division of the National Production Authority. I am pleased to appear before this committee at the invitation of Chairman Burton.

And I submit the following:

1. Official actions taken by NPA to help small business

Since the last meeting with this committee, additional steps have been taken by the National Production Authority to assist small business in the United States. One of the most important, I believe, is the action taken effective January 1, 1952, under our Warehouse Order M–6A, which requires all steel producers to ship, product by product, to the thousands of qualified warehouses here and in Canada, a minimum of 100 percent, as compared with 85 percent prior to January 1, of the base period tonnage. The base period, you will recall, is the first nine months of 1950. This distribution control, we feel, has been highly effective and has resulted in a steady supply of steel to small consumers in reasonable quantities and at normal warehouse prices. The Order has also served as a deterrent to so-called black or gray market sales because it tends to keep sales to small business in normal commercial channels.

It might be of interest to the committee to know what tonnages have been shipped to the steel warehouses during 1950 and 1951. The data is given below:

Net tons

1950—13,359,724
1951—14,386,587

These figures show an increase in 1951 of somewhat more than a million tons, indicating a substantial participation by the small consuming groups in the expanded production of the basic steel industry.

Another step taken to help small users of steel is the authorization, effective in the second quarter of 1952, which permits self-certification by them of their regular quarterly requirements of carbon steel in amounts up to 30 tons as compared to 5 tons previously—direction 1 to CMP Regulation No. 1.

In such case the applicant is required to make no formal request.

2. Data on steel mill production in the United States, 1947–52

In the earlier hearings of this committee members expressed a desire to have factual data on steel products shipments—as distinguished from ingot—over the most recent 5-year period. Submitted below are up-to-date figures for the years mentioned:

	In millions of net tons		*In millions of net tons*
1947	63. 0	1950	72. 2
1948	65. 9	1951	78. 9
1949	58. 1	1952 (estimated)	84. 3

I might interject, Mr. Chairman, that the reason the 1949 figure seems to be out of line with the immediate years previously is because there was a considerable loss by reason of a shut-down during the late fall of that year.

All of the above figures with the exception of 1952 are American Iron and Steel Institute reporting. The 1952 estimate of shipments is made by the Iron and Steel Division of NPA.

To reach the 1951 production the industry was required to operate at 100.9 percent of its rated capacity—the highest annual operating rate ever achieved, and it compares with a 1950 operating rate of 96.9 percent.

By comparison with the year 1944, the largest steel production year of the war, 1951 reflects an increase of about 16 million tons of products shipped, an expansion of about 25 percent in 7 years.

3. The position of the United States in relation to world steel production

Estimated world production in 1951 was approximately 228 million net tons of ingots. Ingot steel is the raw material before conversion into the various shapes and forms. Of this total, the United States produced slightly more than 105 million tons, about 46 percent.

That means that we in the United States, our steel industry, produced 46 percent of the steel produced in the entire world.

Western Europe, including Great Britain, together with Canadian production, totaled about 28.5 percent.

Thus, the United States, Western Europe, and Canadian production represented about 75 percent of the world's total.

Soviet-area production is estimated at 19.3 percent. The remaining tonnage is scattered.

4. Aid to small business in placing CMP tickets

The Iron and Steel Division established a formal procedure in early December at the recommendation of Mr. Fleischmann to provide special assistance wherever possible to all holders, large and small, of CMP tickets who were experiencing difficulty in placing their orders. NPA Form 148 (exhibit 1 in the appendix) was prepared for this purpose. This form requests certain important information from the applicant in order to enable our product experts to fully understand the problem and to take appropriate steps in relation thereto. The form was given wide publicity and copies sent to all NPA field offices for their use in helping applicants who go to those offices directly for help. The procedure provides a relatively simple means, and without recourse to any intermediate groups, for applicants to obtain assistance from the Iron and Steel Division. This form is likewise used in the Aluminum and Copper Divisions.

As of February 18, the Iron and Steel Division had received requests for assistance in placing first-quarter orders for a total tonnage of steel which represented less than 1 percent of the entire total of planned first-quarter steel production. This demonstrated to us that the CMP system had begun to function effectively. Nonetheless, we do face some difficulty with respect to orders for bars, galvanized sheets, certain types of structural shapes, and the heavy plate sections which are required in machine tools, pressure vessels, ship construction, pipelines, and in other uses, as referred to by Mr. Johnson in his statement.

We believe that, during the second quarter, improvement in these areas should occur resulting from increased steel availability because of expansion of facilities, the use of our production directive technique, and easing of the zinc supply.

Galvanized steel sheets have been in short supply for some months, not because of inability of producers to supply steel sheets but because of a shortage of zinc. The zinc supply situation, however, has imimproved recently and increased quantities are now going to the steel producers. This will enable them to substantially increase their production in the second quarter. Where holders of CMP tickets were not able to place their orders, however, for galvanized sheets, provision was made for them to receive supplies of uncoated material with a view to their use as a substitute wherever practicable.

Mr. Chairman, I shall be very happy to answer to the best of my ability any questions that members of the committee may wish to ask.

Mr. BURTON. Thank you, Mr. McCue.

Before proceeding with the questions, may I say that we find the witnesses who were scheduled for tomorrow can come this afternoon. The legislative program of importance planned for this week has been disposed of; so, I would judge we would have no difficulty in getting the Speaker to permit us to hold sessions this afternoon.

May I ask the members of the committee whether it is all right with them to proceed this afternoon, providing we have such permission?

Mr. EVINS. It is perfectly all right with me, Mr. Chairman.

Mr. BURTON. Mr. Dalmas, we will go right ahead with that then.

Mr. DALMAS. At 2 o'clock, Mr. Chairman?

Mr. BURTON. Two o'clock, I should say, would be well.

Mr. DALMAS. Mr. Chairman, I would like to insert in the record the release issued by the Office of Defense Mobilization on January 23 regarding the report of a Steel Task Group on the adequacy of present and planned capacity of the steel industry to meet military requirements and the supply available for all other uses (exhibit 2 in the appendix).

Mr. BURTON. That information should be useful to the committee. We will be glad to have you do so.

Mr. Seely-Brown has an engagement. We will therefore give him first opportunity to ask questions.

Mr. SEELY-BROWN. Thank you, Mr. Chairman. I might say that my engagement is to meet with a group of small manufacturers who are coming down from New England to attend a meeting in the Capitol with the New England delegation in Congress to discuss the problems of small-business men in the New England area, and that is why I am going to leave this hearing.

Mr. BURTON. Do they still have problems?

Mr. SEELY-BROWN. I believe so.

Mr. McCue, the question I want to ask you, sir, is, do you feel that the suppliers of electrical power, either private or public, have been allocated sufficient steel, aluminum, and copper to meet the scheduled demands of both the military and the nondefense effort?

I have had some information to the effect that we may be facing a power shortage, in fact, if we are going to try to meet the schedule which we have laid out, and I am wondering if they are being given the material to meet their end of the program. To me it is the most important part of the program, or at least it is one of the most important parts of it.

Mr. MCCUE. Sir, I do not believe I am qualified to answer that question, for the reason that I have no information on the proposed

requirements submitted by the claimant agencies to DPA, the Defense Production Administration.

I should suggest that question be referred to them. We have no information on that at all. The requirements, as you know, are analyzed and acted upon the Defense Production Administration Requirements Committee.

Mr. SEELY-BROWN. I was always under the impression that they had a top priority; and, therefore, I ask you if their requirements have been met to the best of your knowledge.

Mr. MCCUE. I believe Mr. Johnson might add something to it, but I am not familiar with the requirements, or familiar with the detail of the percent of those requirements that have been extended to them in the form of allotments of controlled materials.

Mr. JOHNSON. I might say, Mr. Seely-Brown, that, insofar as the defense electric power expansion program has received allotments for steel, we believe that they have been taken care of.

Now, the question of whether the allotments have been adequate in view of their requirements is one which, as Mr. McCue says, would have to be directed to the Defense Production Administration Requirements Committee. I understand that Mr. Trigg and Mr. Steiner, and perhaps other members of the DPA Requirements Committee Staff, will be testifying, and I believe, if you would, that question should be directed to them.

Mr. SEELY-BROWN. I shall direct it to them. Thank you.

That is all, Mr. Chairman.

Mr. BURTON. Mr. Evins, have you questions you would like to ask?

Mr. EVINS. I have one or two questions, Mr. Chairman.

Mr. McCue, your statement is very optimistic as far as increased mill production of steel is concerned for the future.

Mr. MCCUE. Yes, sir.

Mr. EVINS. That is very encouraging, and I am sure the committee is glad to receive that report. But I want to ask you what percentage of steel now is being supplied for school-building construction and industry construction in our smaller communities.

Now I have had a number of requests from superintendents of schools and others who want to acquire steel for these school-construction projects, especially in defense areas.

Mr. MCCUE. Yes, sir.

Mr. EVINS. They have been encountering some difficulty in securing steel. Now, what percentage is going for that purpose at this time?

Mr. MCCUE. Again, Mr. Evins, I am sorry to say I shall have to refer you to DPA. We in the Iron and Steel Division do not make decisions as to the amounts of steel that go to particular claimant agencies. That information is available, and witnesses from there will be before your committee and will be able to present you factual evidence as to the quantities of steel that have been allocated for all forms of construction.

Mr. EVINS. Your particular branch is just concerned with the statistical figures as to the amount of production regardless of where it goes?

Mr. MCCUE. It is interested in maximizing the production of steel and seeing to it that the movement of steel is in the direction established under the policy of the DPA.

Mr. EVINS. Now, 2 months ago we were told that steel was not available for these purposes, and within 3 weeks a press release was

issued to the effect that the situation was now so favorable that steel was going to be made available for school purposes.

Mr. McCue. I believe there was an increased allotment made to schools for additional construction in the first quarter of 1952. I believe that additional tonnages were allotted for the second quarter of 1952. But I am sure your question was directed so that I could give you exact information as to the situation. Is that not correct, Mr. Evins?

Mr. Evins. Yes.

Mr. McCue. I am not prepared to do that.

Mr. Evins. A press release was issued, which was an encouraging thing, to the effect that schools are going to be able to secure this needed steel. You cannot give us the answer, though?

Mr. McCue. That would not have been issued by the Iron and Steel Division. NPA or DPA would issue it.

Mr. Evins. Can you tell us how much steel is being shipped to England, Western Europe, or elsewhere today?

Mr. McCue. Yes; I certainly can give you that information. That is something we can answer.

I would like to cover it as far as the year 1951 is concerned, I believe. Do you think that would be acceptable to you?

Mr. Evins. As current information as you have.

Mr. McCue. Yes. In the year 1951 total controlled steel, meaning CMP items, to the entire world, the total of exports, was 3,135,000 tons.

Mr. Evins. You mean from the United States?

Mr. McCue. From the United States.

Mr. Evins. 3½ million tons?

Mr. McCue. 3,135,000 tons.

Mr. Evins. That is total exports in 1951?

Mr. McCue. That is correct.

Mr. Evins. How does that compare with 1950?

Mr. McCue. As compared with 1950, that is an increase of approximately 400,000 tons.

Mr. Evins. And you do not have any figures later than 1951?

Mr. McCue. The figures for the first quarter of 1952 would be on about the same basis. Those are screened requirements that come to us through the foreign-service agencies within Government and through the defense-security agencies and others.

Mr. Burton. Give me that figure again.

Mr. McCue. 3,135,000, for the calendar year of 1951.

I think it might be interesting to know that it is a very small percentage of the steel production of the United States and, in fact, is considerably smaller than we exported over the period, say, from 1946 to 1949.

Mr. Evins. The question is, Mr. McCue, are these exports building up, increasing, to our own disallowance and disadvantage in our own country?

Mr. McCue. No, sir; they are not. As a matter of fact, I think to make a proper analysis of the exports it might also be desirable to give you a record of the imports of steel into the United States, which, in effect, completely offset our exports.

Our total imports of all types of steel products, both controlled and uncontrolled, is 3.5 million. That is how much we imported into the United States.

Mr. EVINS. I want to say that I am a believer in the reciprocal trade program, as far as that is concerned, and I think that is well and good, but I was wondering if we were not going so far we might be injuring small business of the country when it was not necessary to do it.

Mr. MCCUE. Of course, Mr. Evins, the policy of foreign trade is clearly one of reciprocal relationships. From the countries that much of this steel we produce here goes, we in turn get major benefits in the form of raw materials which we need here to operate our diversified industries, and with particular reference to iron and steel.

Mr. CURTIS. May I ask a question?

Mr. EVINS. Yes; I am through.

Mr. CURTIS. I want to ask a question on that point, if I might, Mr. Chairman.

On this importing of steel, how much of that, if you know, is United States steel that actually has been exported and has been reimported?

Mr. MCCUE. I would say, Mr. Curtis, it would be an extremely small percentage.

Mr. CURTIS. We were running into that difficulty when this committee was investigating the black-market or gray-market steel—finding some of it that was actually United States steel was shipped abroad and then brought back in. Particularly was that being done up in Canada.

I was wondering if a lot of that 3.5 million tons was such steel.

Mr. MCCUE. No. According to the customs records, Mr. Curtis, it shows clearly where the tonnage comes from, and the type of steel that is shipped, and it largely has been coming from Western Germany, from Belgium and Luxemburg, from France, from Britain, and to some extent from the smaller producing countries over there.

Mr. CURTIS. Those figures then would not reflect whatever tonnage might be United States steel that is just being shipped around?

Mr. MCCUE. It would not necessarily reflect it. Such a thing as you refer to is possible, and I have no doubt in some limited cases it was done, but import tonnage comes as a result of direct negotiation by American consumers or their agents with the representatives of Western European mills.

Mr. CURTIS. This committee—and I might state with some basis of reason—was very much concerned with that, particularly up in Canada where it was being done. That is the reason I raised the point.

Mr. MCCUE. I would like to point out again the fact that the relationship between Canadian and United States steel production, both import and export, is quite different from that which exists with respect to Western Europe. For example, we have no foreign restrictions with respect to Canada. It is generally an open-trading proposition.

Mr. CURTIS. So, these figures of export and import would not reflect that?

Mr. MCCUE. They do reflect what goes across the border as far as our commercial transactions are concerned, and for the purpose of this report we include Canada as a foreign country. But the actual commercial practice is to cultivate the exchange between

Canada and the United States and develop the easiest manner of accomplishing it. Now today Canada is a very important customer of the United States mills. They take an average of 1,200,000 to 1,400,000 tons of our steel.

I likewise wish to point out for your information, Mr. Curtis, that there are very many large manufacturing plants of United States origin that are making various steel products and so on in Canada that take a percentage of steel production. On occasion some of that might be sent back across the border to the plants in the United States for consumption, and I would not consider that really as being something out of line.

Mr. BURTON. Mr. McCue?

Mr. MCCUE. Yes, sir.

Mr. BURTON. There are indications that the steel situation has been very much relieved. When, in your opinion, will supply balance with demand so that small business, commercial business, nondefense industries, may be expected to be reasonably well cared for?

Mr. MCCUE. Well, Mr. Chairman, Mr. Johnson in his statement mentions that at the present time it is his judgment that we are in approximate balance now. However, there are shortages in certain areas which will probably persist for some months to come.

If you would ask me simply to give you my own personal view on it, I should be glad to do so.

Mr. BURTON. Your personal view should be very valuable because you have available statistics.

Mr. MCCUE. Yes, sir.

Well, I would say that we have some 9 months to go yet before the situation to which you refer would be accomplished.

Mr. BURTON. There are indications that warehouse stocks are building rapidly and that many items are in ample supply at this time.

Mr. MCCUE. Yes, sir, I think that is right.

Mr. RIEHLMAN. Will the chairman yield at that point?

Mr. BURTON. I will yield, sir.

Mr. RIEHLMAN. I wonder if Mr. McCue might be familiar with the statement I either read in the paper or heard over the air this morning that Mr. Wilson had made, which said that supplies of raw materials and critical materials were at such a point that there should be no need for further cut-backs for civilian use at this time.

Mr. MCCUE. Well, I am not familiar with that statement. I have not heard it yet. I do not know if you are, Mr. Johnson.

Mr. JOHNSON. No.

Mr. RIEHLMAN. I am sure it either came out on the wire this morning or was in the paper.

What would be your opinion in that respect?

Mr. MCCUE. Well, of course, the question you pose is tied in inextricably with the subject of relaxation or decontrol. That subject is one that is occupying the time of the best thinkers in DPA and NPA.

Mr. RIEHLMAN. I do not know if it is tied in completely with decontrol. His statement was that we are not going to cut back any farther than we have on civilian needs in respect to these critical materials.

Mr. MCCUE. I believe Mr. Fleischmann in his statement indicated the second quarter represents the most stringent quarter for consumer goods, automobiles, and so on, for this period.

I would certainly suppose—to try to give you an unprejudiced answer to that question, it is my very best judgment we will not be free, there will not be complete freedom of steel supplies for another 9 months at least.

Mr. BURTON. Do you think there will be at the end of 9 months?

Mr. MCCUE. I would think there would be a good possibility of relative freedom from controls in, say, 9 or 10 months.

Mr. RIEHLMAN. Approximately 1953 in other words?

Mr. BURTON. I see some shaking of heads, so when you finish we will give others an opportunity.

Mr. MCCUE. Fine.

Mr. BURTON. Probably we should develop this subject while on it.

Mr. RIEHLMAN. Could I ask one more question?

Mr. BURTON. Go right ahead.

Mr. RIEHLMAN. It is your question, but I want to get back to the export and import question.

Mr. BURTON. Go ahead with the export-import, and we will come back to my question later.

Mr. RIEHLMAN. I want to clear this up in case Mr. McCue leaves, because he may have some information.

The greatest need in this steel program in our Nation has been structural steel; is that not true?

Mr. MCCUE. That is right.

Mr. RIEHLMAN. One of our bottlenecks and greatest shortages?

Mr. MCCUE. That is right.

Mr. RIEHLMAN. Could you give us any idea of what portion or percentage of the 3,135,000 tons that has been exported has been structural steel?

Mr. MCCUE. I believe I can, sir. In 1951 we exported a total of 243,000 tons of structural shapes.

Mr. RIEHLMAN. Yes; 243,000?

Mr. MCCUE. That is right. Now again, in order to make that figure have some real meaning, I should like to also give you a figure of our imports.

Mr. RIEHLMAN. I was going to ask for that information.

Mr. MCCUE. Whereas we exported those 243,000 tons, we imported 435,000 tons.

Now the type of structural exports that were approved were required for the carrying out of structural projects in other areas of the world, particularly with respect to oil drilling and supplying and servicing and mining in the areas from which we get iron, manganese ore, chrome, tin, and other very necessary metals to maintain our own steel industry.

Now I wish to point out to you that the screening of this export requirement is undertaken through the appropriate agency in Government, which is the Office of International Trade, and then decision is made or recommendation made by a standing committee made up of all of the various Governmental agencies, and finally the policy is determined at the end by the Secretary of Commerce. So there is a careful screening of any application for export.

Mr. RIEHLMAN. I appreciate having those figures, and they indicate that our structural-steel problem has not been aggravated any by our export program.

Mr. McCue. As a matter of fact, the imports have been really a very important contribution to our small industries, because they can get standard shapes which otherwise during that last year were very scarce.

Mr. Riehlman. All right. Mr. Chairman, I am sorry that I interrupted you.

Mr. Burton. Go right ahead.

Mr. Riehlman. I have finished and you can proceed with your question.

Mr. Burton. I will ask you to proceed further on the question I asked as to what time you expect we will be in balance. I believe you gave us an answer to that question.

Mr. McCue. I believe so.

Mr. Burton. Would that indicate to you that there should be any relaxation or change in our present method of procedure as balance is attained?

Mr. McCue. No, sir; I do not think at this time, Mr. Chairman, you could undertake any broad decontrol measures. I think that the action is going to be dependent entirely upon a constant re-evaluation of the domestic economy and its demands, the potential requirement ahead for the defense needs. I think the congressional appropriation is going to be a very important factor in the requirements of steel in the next fiscal year, and I think until all those problems are analyzed and weighed, it would be a very serious mistake to decontrol at a time when the machinery is established for functioning at the highest level of efficiency.

It has taken a year and a quarter to develop and get this system working well. I think it would be an unwise move to attempt to consider decontrol before the picture is much clearer than it is today.

Mr. Burton. We hear the statement that warehouse stocks of steel are available but that small business is unable to get the actual material because of lack of tickets. In other words, that indicates that the supply is more than the permission to use and utilize. Are you running into that?

Mr. McCue. I have no such cases of that in my experience within the last couple of months. I would not deny that some may not have been presented. I know of none. In fact, Mr. Chairman, I have had less concern in the last month about the so-called supply problem of the small-business man than I have in the last 3 or 4 years, because I believe he is getting his supplies and will continue to get them.

Mr. Evins. You cannot give us any figures to that effect. You can just give us the statistics that steel production is up and exports are up and the situation looks rosy and optimistic?

Mr. McCue. It certainly does today, and we did not feel that way the last time we came before this committee.

Mr. Burton. You have shown an expansion in production. Are there indications of a decrease in civilian demands, nondefense demands?

Mr. McCue. I could attempt to answer that question by stating again, that in my opinion there has been a diminution of demand or decrease in demand at the present time. But whether or not that is going to continue, I really do not know. I do not think that I am qualified to state that it will continue, that the market will decline

further, but there has been a reduction in demand for various types of steel products.

Mr. BURTON. And a softening in price?

Mr. MCCUE. We have heard of softening in prices to the extent that where warehouses are overstocked, they have gone out and made deals to move their inventory.

Mr. BURTON. Is that confined to warehouses or does it also apply to prime production?

Mr. MCCUE. So far as I know, there has been no weakening at any point as far as steel is concerned with the normal producers. But those companies that have surplus supplies, what is known as conversion steel, have reduced their prices in the last 2 months because there is a considerable increase in the resistance of buyers to pay the so-called premium prices.

Mr. BURTON. In that connection, may I ask what were the reasons for decontrol of chromium stainless steel?

Mr. MCCUE. The principal reason for the decontrol of chromium stainless was the fact, in my opinion, that the cut-back in automobile production and other consumer durable goods reduced the need of those producers for chromium stainless steel. The steel mills in the month of December found themselves with facilities, with furnaces, that could supply the chromium grade and order bookings of only 50 percent.

We saw no further reason at that time to continue the control of chromium stainless steel and recommended the decontrol, and that action has been taken—it has been decontrolled.

Mr. EVINS. An increased allocation of all types of steel has been made for the automobile industry; has it not?

Mr. MCCUE. It has.

Mr. EVINS. To allow them to go full speed ahead.

Mr. MCCUE. I would not say full speed ahead.

Mr. BURTON. There has been a relaxation?

Mr. MCCUE. There has been some relaxation; yes.

Mr. BURTON. Would that indicate a pattern for other types to follow?

Mr. MCCUE. Well, I think it would indicate a pattern of the agency policy product by product; yes, sir. I do think so, Mr. Burton.

Mr. RIEHLMAN. Mr. Chairman?

Mr. BURTON. Go ahead.

Mr. RIEHLMAN. I have one more question on the structural steel.

I have from my own district complaint after complaint from people who are trying to get structural steel at the warehouses in that area saying that the warehouses are just bulging with structural steel, plenty of it, but they cannot get the orders to get it out of the warehouses.

Mr. CURTIS. I want to join in that statement. The same is true in St. Louis.

Mr. RIEHLMAN. Just recently, Mr. Dalmas will recall, I had an architect in here trying to get structural steel for a school in my area. The people know the warehouses have plenty of just what they want and they can get every pound they need, but they cannot get the orders to get it out. I cannot understand why we are having that bottleneck when the steel is available.

Why under the sun can we not realize it and get construction under way?

Your statements today are rosy and the picture looks very good. So why should we hold that steel back for 9 months and hold up the construction of schools and facilities so badly needed in our section?

Mr. McCue. Have these companies you referred to been given allotment tickets?

Mr. Riehlman. The contractors, you mean?

Mr. McCue. Yes, sir.

Mr. Riehlman. Some of them have, some have not, and they are down here begging for the allotment. And some of them get the amount they need and others get cut back.

I know from the picture that was given me—and Mr. Dalmas knows—that I was pretty much perturbed about it. If I could get the actual facts and figures, I think I could expose something that is not very good in the way this steel is being allocated for schools. It is the same old story, apparently—the boy who has the most "grease" to put on the squeaky wheel gets the steel, and it is not good. When those warehouses are filled, it seems to me we had better get busy, with the picture you are giving this morning, and see that some of this steel is allocated to people that need it.

The people are talking about schools for our youths, and we are forcing them to use concrete and reinforced steel construction, which does cost more, when apparently on the surface there is a lot of structural steel in these warehouses. I know I am not kidding anyone when I say that Syracuse has plenty of it in that area, and the people are willing to let it out but they cannot get their warehouses, which are filled, to release it until these people have the orders with which to go ahead and get it.

Mr. Dalmas. May I ask a question right at that point?

Mr. Burton. It will be in order.

Mr. Dalmas. I will address this both to Mr. Johnson and Mr. McCue.

Mr. McCue, you stated in your statement, in connection with self-certifications, that carbon steel is up to 30 tons compared to 5 tons previously.

Now, as a partial solution to this easing of the steel market, what would you think of permitting self-certification for all types of users up to, say, 125 tons a quarter? That would solve the problem of a number of school jobs and small buildings and small users of all types, because the average school building does not take more than a hundred tons of structural, and they could go to that warehouse Mr. Riehlman is talking about with a self-certification for a hundred or a hundred and twenty-five tons and get the steel. Why not raise that figure from 30 to, say, 125 tons on a self-certified basis?

Mr. Johnson. Mr. Dalmas, if I might make a comment on that. The self-certification on the 30-ton basis that was referred to in Mr. McCue's statement has to do with manufacturing rather than construction. There is a separate regulation on construction which is currently being revised.

The question of how much or what the level of self-certification should be is one that I think is very difficult for anyone to establish, because it requires a pretty good analysis of the potential requirement that might develop on such self-certifications.

Mr. DALMAS. Well, you are not decontrolling there, though, Mr. Johnson; you still have control. You know what the uses are going to be. You know who buys the steel on a self-certification basis. That is not decontrol, that is simply permitting something to occur now that you could take back any time the need developed.

Mr. JOHNSON. I am sorry, Mr. Dalmas, I think that you only know who is going to get the steel historically; in other words, after the fact you find out who gets it. But self-certification means that a fellow writes out his own ticket and presents it.

Mr. DALMAS. That is right.

Mr. JOHNSON. So it is only after the fact that you find out where the steel went. But the question of the increase in levels of self-certification, both for manufacture and construction, is tied up in the total problem of how you get out of control, how you decontrol from a situation of controls, and that matter is being given a great deal of study.

I would like to suggest to the committee that Mr. Truppner, who is Assistant Administrator of the DPA in charge of production controls, will be testifying before this committee and will have, I think, a good deal of information for your along that line.

Mr. DALMAS. What is the self-certification on construction now?

Mr. JOHNSON. I am not sure. I would not want to say without reference to the order, which is currently in process of revision.

Mr. DALMAS. Do you not think you would get rid of a big headache if you went up, say, to a hundred tons? That is not decontrol when you self-certify. You still have control and you can always cut back any time the need develops.

Mr. JOHNSON. Mr. Dalmas, I think there is not any question but what you would get rid of a big headache. I think the only question in the minds of the people who have that decision is whether they might get a bigger one in some other direction.

Mr. BURTON. Mr. Riehlman.

Mr. RIEHLMAN. I wondered if Mr. McCue would comment on my question that I posed to him in respect to this warehouse supply that we have.

Mr. MCCUE. I would like to make two observations first. If any of those contractors in that area have tickets that they cannot place, you tell them to come to me and we will get them placed for them.

Mr. RIEHLMAN. All they can get——

Mr. MCCUE. It is not altogether the problem of warehouses, it is the problem of the mill also on these tickets. Sometimes the warehouses will not carry the sizes that that contractor may want.

With respect to the second part of your question, again I have to make the observation that that is a question that should be required to be answered by the DPA. We do not give out any allotments for schools or any type of construction. We do not make that determination.

Mr. RIEHLMAN. Of course, your answer is in reverse, more or less, to my question, because, after all, they do not have the orders to get the steel, and they know what they want——

Mr. MCCUE. Yes.

Mr. RIEHLMAN. And what the specifications are for the construction of the school. And they know that the warehouse has exactly that

steel in stock and are willing to give it to them, but they cannot get the orders to get it.

Mr. McCue. They do not have the authority to buy it?

Mr. Riehlman. That is right.

Mr. McCue. Yes?

Mr. Riehlman. And yet we are building up the stock and building up the stock in those areas, and it is not a pleasant thing for people to know. Your school boards and all the rest are confronted with the situation and are stymied and held in abeyance for another quarter. If we go along for 9 months, what do you think the attitude of the people is going to be when they have to go to additional expense to construct?

Mr. McCue. I certainly agree something ought to be done.

Mr. Riehlman. That is the answer I hoped to get.

Mr. McCue. If necessary to grant special allotments, it seems to me there should be no difficulty getting it from DPA in that situation.

We should be very glad ourselves in the Iron and Steel Division to make some studies of that particular problem for you and do our part in trying to correct it.

Mr. Riehlman. I appreciate your attitude in that respect.

Mr. McCue. Mr. Curtis, did you say a similar situation exists in St. Louis?

Mr. Curtis. Yes. We had the situation where churches and schools were unable to get the necessary paper work done, but the structural steel was actually at the warehouse. They could get it if they wanted to disobey the law because the material was there. It was just a question of paper work up in Washington.

Now, I am happy to say that most of our schools and churches have just been given the green light about a month ago. But for the life of me I do not understand why they did not have it 3 months ago, because this situation of the warehouses being jammed with this material is not a new picture. That has been going on, at least in our area, for some time.

It looks to me like, I would almost say, if that is typical, you are not in touch with the actual situation. That is what disturbs me in this whole picture. If it is as bright as you say, I suspect we are at a point where we could actually decontrol now. I am an amateur at that, and that is why I use the words "I suspect" that we are at that point. I do not know the full picture, of course.

Mr. Burton. Mr. McCue, I may add to what Mr. Curtis and Mr. Riehlman have just said, that in my knowledge there is a need for sheet steel for small industry, and that steel is available, but they do not have the permission to get it.

Mr. McCue. I think Mr. Johnson can answer that.

Mr. Burton. There is an oversupply in warehouses.

Now, what do you propose to do about that?

Mr. McCue. Well, there was an action taken recently by NPA and DPA to extend 250,000 tons of additional allotments—was it not?

Mr. Johnson. That is right.

Mr. McCue (continuing). To make available increased supplies to all forms of business, small and large. And I would suppose these folks you are referring to are benefiting from that action.

Mr. BURTON. They have not yet benefited.

Mr. JOHNSON. Might I make a comment on that? To emphasize again what Mr. McCue has said, the job of the Iron and Steel Division in the National Production Authority is to do everything possible to maximize production of steel, to get the production channeled so far as possible into those products which are in most demand, and then to do our best to see that the tickets which are issued by the Defense Production Authority through the Requirements Committee are cashed at mill or warehouse level.

Now, there is a corollary to that. We try to keep a check on the supply of various products. And as we heard this news over the last few weeks that cold-rolled sheets, for example, were coming into easy supply, we recommended to the DPA Requirements Committee that additional allotments be issued to those types of manufacturers, whether they were large or small, who could specifically and specially utilize cold-rolled sheet steel. That sort of study is going on all the time with respect to the different products.

So we feel that we can try to give advice as to what can be done.

Now, extra tickets have been issued for the first quarter for the use of those manufacturers whose primary requirement is in cold-rolled sheets, and additional tickets are being issued for the second quarter for those people.

Mr. BURTON. Now, the study is being made?

Mr. JOHNSON. I say the recommendation has already been made and the tickets have been issued for the first quarter, and they are being issued for the second quarter.

Mr. BURTON. Then we may expect immediate relief?

Mr. JOHNSON. Yes, sir.

Mr. BURTON. Because it looks as though the easing in actual material is ahead of your plans for dispersal, and that should not be.

Well, of course, we can recognize the difficulty in such a situation, but time is of the essence.

Mr. JOHNSON. Mr. Burton, we feel that in the Steel Division it is very definitely one of our responsibilities to try to keep current on this problem. That is one of the reasons why we asked the Steel Products Industry Advisory Committee to come to Washington quite frequently to meet with us, to give us their advice.

We have this task group, for example, from the Steel Products Industry Advisory Committee who have met with us twice and are meeting with us again next week, in order to give us the best information we can get on these things.

However, the question of how easy the market is is one as to which there is today a real significant difference of opinion, and I would like to direct the committee's attention——

Mr. BURTON. If I may point to a fact there, though.

Mr. JOHNSON. Yes.

Mr. BURTON. The robin is a harbinger of spring.

Mr. JOHNSON. That is right.

Mr. BURTON. And when warehouses cut their prices in half, you can make but one deduction.

Mr. JOHNSON. With this exception, Mr. Chairman—that we are dealing with a controlled demand, and therefore you have in the picture a factor which can change In other words, tickets have been issued to the consumer durable type manufacturer, for example, generally on the basis of about 50 percent of their usage of steel during the base period. Now, that represents a controlled demand, and

it is quite possible under those circumstances that you might have a market situation where it looked as though things were easy but if there were a relaxation on the level of authorization, that would disappear immediately.

Mr. BURTON. Yes; it might be that you could not entirely relax, but it would indicate that there should be some relaxation. Otherwise you have an artificial hardship created by your system——

Mr. JOHNSON. That is right.

Mr. BURTON. Rather than by a real shortage of material, and that we should avoid.

Mr. CURTIS. Mr. Chairman, could we ask on that particular thing—did you experience such a thing when you took controls off of non-nickel-bearing stainless steel?

Mr. JOHNSON. I would like to give you a little history on that, Mr. Curtis.

We got the word from the producers of the chrome stainless steel that the market was becoming very soft. So the question then arose—is this a result of the controlled demand or is it a reflection of the true demand?

In order to test the market on it, additional tickets were issued, additional authorizations were issued during the fourth quarter on several different occasions. It appeared that actually the problem was not one of the controlled demand; it was a question of the real market, and for that reason the product was decontrolled.

Mr. CURTIS. That is one of these factors that you were talking about which you take in consideration when you do decontrol?

Mr. JOHNSON. That is right.

Mr. DALMAS. Mr. Chairman, in regard to the oversupply of steel in warehouses, I would like to have inserted in the record a letter regarding the availability of structural steel and the enclosed list of structural steel and bar shapes available for immediate shipment from warehouse stock (exhibit 3 in the appendix).

Mr. BURTON. We will be glad to have that information.

Mr. EVINS. Will the gentleman yield?

Mr. BURTON. I will yield to Mr. Evins.

Mr. EVINS. One further question.

Mr. Johnson, since you stated that your duty was to maximize production, I wanted to ask you to what extent are you increasing steel-production capacity and what, if anything, are you doing to bring about a location of any such facilities, say, in the South, where there is not much prime production?

Mr. JOHNSON. Mr. Evins, I would like to call your attention to the answer in my statement to question No. 5 with respect to the expansion of steel-making facilities, which indicates that during the year 1951 there was an expansion of about four and a quarter million annual ingot tons in capacity.

Mr. EVINS. Where was that expansion?

Mr. JOHNSON. I do not have those figures, Mr. Evins. Of course, we do not control the question of where this expansion occurs.

Mr. EVINS. Are you doing anything to locate any increased steel capacity in areas other than the concentrated areas?

Mr. JOHNSON. Yes, sir. Under the Defense Production Act there is provision, as you know, for accelerated amortization for facilities, and the Steel Division serves only in an advisory capacity as respects the approval of those.

Mr. EVINS. Can you give us any examples or illustrations as to where there has been increased capacity other than, let's say, Detroit, Chicago, and Gary, Ind.?

Mr. JOHNSON. I would say there has been a very substantial expansion of facilities of the Lone Star Steel Co. in Texas.

Mr. EVINS. That is not a new one. What about a new one?

Mr. JOHNSON. There is only one company which comes to my mind at the moment, and that is one known as the Green River Steel Co. in Kentucky. I cannot tell you what the status of construction or development on that is, but the requests for accelerated amortization, I am quite sure, were approved.

Mr. DALMAS. May I supplement your question, Mr. Evins?

Mr. EVINS. Yes.

Mr. DALMAS. I think it is a pretty well-known fact that in the southeastern part of the United States we have steel-producing facilities that probably take care of 25 percent of the demand in that area.

Specifically, do you know how much the tonnage has been increased in the Birmingham area or any adjacent areas—Tennessee, North Carolina, or any other State?

Mr. JOHNSON. We have here a report which appeared in the issue of Steel magazine, which I think just came out yesterday or today. That indicates some of these increases. I would have to pick them out here, if you wish to take the time, or we can leave this with you, if you like.

Mr. BURTON. Could you give us that briefly?

Mr. JOHNSON. If you will give me a few minutes to take a look at this thing (exhibit 4 in the appendix).

Mr. EVINS. That is one of your functions, is it not, to maximize steel production? You ought to be familiar with it.

Mr. JOHNSON. It is one of our functions to maximize steel production from facilities which exist, and it is not one of our functions to go out and build facilities. The Iron and Steel Division deals with the industry as it exists.

Mr. EVINS. And no effort is made to establish new steel production in new territories but just to expand existing plants; is that about it?

Mr. JOHNSON. Sir, I do not think that is in any sense a function of the Iron and Steel Division of the National Production Authority.

Mr. EVINS. Well, the over-all picture is to bring about a larger increased production?

Mr. JOHNSON. That is right.

Mr. EVINS. What I am trying to drive at is how are you doing it—just building up existing plants or trying to locate steel production facilities here and there in other areas?

Mr. MCCUE. Individual companies make their own requests, do their own planning, as to where they will increase their capacity and production.

Mr. EVINS. But you have some function as far as advisory or suggestion or direction?

Mr. JOHNSON. No, sir; we do not.

Mr. MCCUE. I do not believe we make any recommendations whatsoever to any company as to where they should build their plants.

Mr. EVINS. Don't you take into consideration the congested industrial areas and housing conditions and other problems?

Mr. JOHNSON. Sir, we have no control over it. I think I ought to make it plain that the Iron and Steel Division of the NPA does not

control the expansion by steel producers as to where they will locate it. When they are going out to spend their own money for the construction and location of steel plants, we do not dictate what they shall do with it.

Mr. EVINS. That is all, Mr. Chairman. Thank you.

Mr. DALMAS. Mr. Chairman?

Mr. BURTON. Mr. Dalmas.

Mr. DALMAS. I would like the record to show insofar as steel expansion is concerned there has been very little of it in the South. That is generally true, is it not, Mr. Johnson?

Mr. JOHNSON. I think that the records would indicate, Mr. Dalmas, that on a percentage basis there has probably been more expansion in the South than there has been in what are some of the more established areas of steel production.

Mr. DALMAS. I hope we find that is true. Thank you.

Mr. BURTON. You will have data on that to supplement the record?

Mr. JOHNSON. Yes.

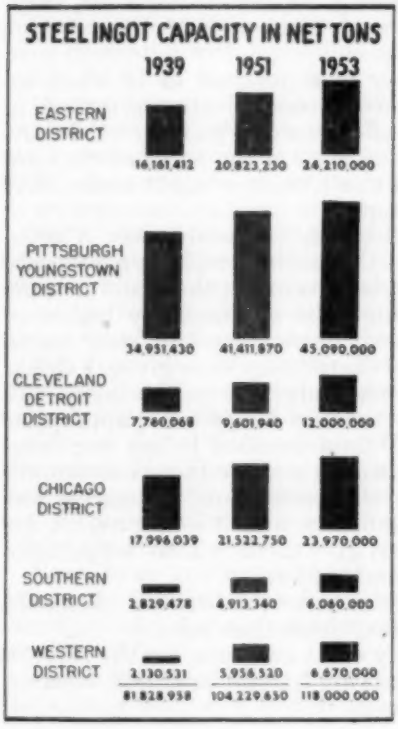
(Information referred to is as follows:)

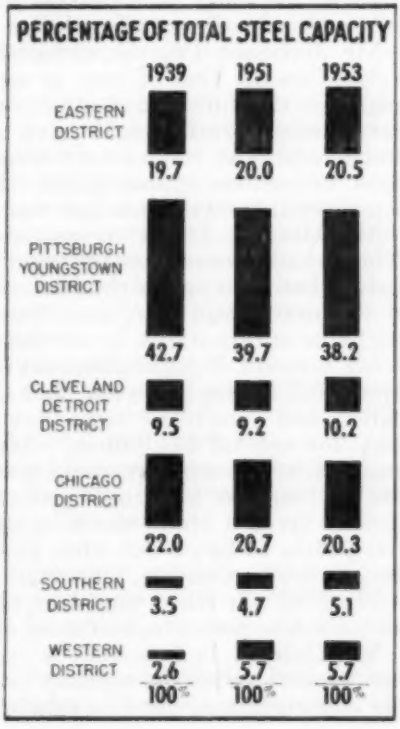
STEEL CAPACITY UP IN ALL SIX AREAS

The large increase in the steel capacity of the United States, classified in six districts, is shown in the accompanying charts.

The capacity of each district at the start of 1951 is shown with a comparison for 1939 and an estimate for 1953. Each district's percentage of the total national capacity also is indicated.

This information was prepared by American Iron and Steel Institute from reports by steel companies.





STEEL-MAKING DISTRICTS DEFINED

The Eastern district includes the steel plants in Maryland, Delaware, New Jersey, New York, Connecticut, Massachusetts, Rhode Island, and all of Eastern Pennsylvania as far as and including Johnstown, about 55 miles east of Pittsburgh.

The Pittsburgh-Youngstown district includes the steel plants in Western Pennsylvania including the Pittsburgh area and the area extending about 100 miles north to include Farrell and Sharon; Kentucky, West Virginia, and the steel plants in Ohio, excluding those in Cleveland and Lorain.

The Cleveland-Detroit district includes all of Michigan and the steel plants in Cleveland and Lorain, Ohio.

The Chicago district includes the plants in Minnesota, Wisconsin, Missouri, Illinois, and Indiana.

The Southern district includes the plants in Virginia, Tennessee, Alabama, Georgia, Oklahoma, and Texas.

The Western district includes the plants in Colorado, Utah, California, Oregon, and Washington.

[Source: Steel Facts, June 1951. Published by American Iron and Steel Institute.]

Mr. BURTON. Are there any further questions along that line?

Mr. CURTIS. If I may.

Mr. BURTON. Mr. Curtis.

Mr. CURTIS. I would like to ask the gentlemen about the scrap situation. Is it now satisfactory?

Mr. JOHNSON. Mr. Curtis, the scrap situation has improved materially over what it was during December. During December the scrap situation was so critical as to cause a great deal of alarm, and in part because of the efforts that have been made through the issuance of the auto-wrecker order and the other efforts that have been made by various agencies of the Government and by communities and public citizens, the scrap situation has definitely improved. It is not easy.

Mr. CURTIS. It is still regarded as somewhat critical?

Mr. JOHNSON. Oh, yes, definitely.

Mr. CURTIS. One of you, in answer to a question as to when we might in the future decontrol, said congressional appropriations in the ensuing months might have an effect on the picture. I do not understand that. We are working on a basis of the needs as they are right now; as for appropriations that this Congress might make, that is projected pretty much into the future.

Mr. MCCUE. I was concerned with that question, Mr. Curtis. What I had in mind was the fact that the military will not necessarily know what their entire planned requirements are in the first 6 months of the next fiscal year, that they might be substantially higher or might be substantially lower than their current level of steel needs.

Mr. CURTIS. I might point out that the military were given, I think, by us $57 billion last year, and they already had on the books $37 billion, and some other items they got; so they actually got appropriations for around 114 billion. Mr. Wilson testified before our committee that the most we could give them in end products was around $32 billion. So I do not quite see the connection. Congress has already given a blank check to the military, and it is a question for you people to figure out what you can give them. That would take your entire production, I presume, would it not?

Mr. MCCUE. No, it would not take our entire production. It would take a larger percentage in some critical items than others.

Mr. CURTIS. In fact, that is exactly what concerns me the most—just what requests the military are making for end products, because the appropriations have no relation to it.

Mr. Manly Fleischmann told us he was the one that decided what the military's real needs were. You see what I am getting at. I am interested in this problem of how you are going to decontrol these things. You said that the congressional appropriations had a bearing on it, and I do not see how they have any bearing on it.

Mr. McCue. With respect to the defense aspect of the program.

Mr. Curtis. That is already set up. What the military is requesting, you know, do you not?

Mr. McCue. For the existing year.

Mr. Curtis. And for the following year after that, you know, too, do you not? Congress, unfortunately, does not know, but you people have that program, I assume.

Now, taking that program into consideration, what Congress might do in the way of appropriations is not going to affect that; but taking it into consideration as it is now, the question was why you could not be planning right now for decontrol?

Mr. McCue. Well, I would think it would be improper to imply that the agency is not planning decontrol. They are constantly planning that type of action, relaxation, or decontrol, but the time element is what I thought was the real question that Mr. Burton and yourself raised.

Mr. Burton. I asked a direct question.

Mr. McCue. Yes.

Mr. Curtis. I am interested in the time, too, but in order to figure the time, you have to figure the formula.

Let me ask another question. I listened to Mr. Churchill's speech when he addressed the Congress, and he said that they did not want gold this time, they wanted steel. Have you people, for example, been presented with a possible allocation for Great Britain?

Mr. McCue. Yes, we have.

Do you have the details on that, Mr. Johnson?

Mr. Johnson. We are working with the British on this question of their steel requirements in order to do what can be done to channel them into products where the impact will be less severe and in order to arrange them in point of time, so as to cause the least dislocation.

Mr. Curtis. So is that possibly the reason why we are not going to go ahead with decontrol—that their program and their needs might be such—I am not arguing policy, but just asking for facts—whether that is not the reason why we cannot decontrol or lay our plans for an actual decontrol almost in the next few months?

Mr. Johnson. Mr. Curtis, I would say offhand that I do not think that the British requirements are of such size as to stand in the way of any plans that might be made.

But on the subject matter of decontrol, as I said, I think to the chairman, Mr. Truppner, who is Assistant Administrator for Production Control will, I think, have a good deal of information for the committee on what is being done along that line.

Mr. Curtis. I see.

Now, have you actually set up—I presume you have because you have gone through some decontrol—a procedure for determining when decontrol of a certain product might be made? Have you a formula set up?

Mr. Johnson. No, sir. That problem is being studied both within the agency and, as I said in my statement, by a task group from the

steel products industry advisory committee. As yet, we do not have any firm conclusions on it.

Mr. CURTIS. Referring to your answer to question 6 as to whether you believe any steel products can be decontrolled at the present time, you state the subject of decontrol is being very carefully reviewed both within the NPA and also by a task group of industry representatives set up in conjunction with the steel products industry advisory committee; as yet neither of these has reached a firm conclusion since there are so many factors which must be taken into consideration.

What I am interested in is what formula you are going to use. Surely, you have a formula set up as to what can be decontrolled and under what circumstances.

These factors that you talk about, since there are so many factors, what are those factors, for example? That is what would determine your formula.

Mr. JOHNSON. Well, Mr. Curtis, I think we can say there are many approaches that can be made to the matter of decontrol.

Mr. CURTIS. I appreciate that. I want to know what specific approach is being taken. It seems to me that is something that can be done. There are many approaches that can be taken. Now, what approach is being taken?

Mr. JOHNSON. As of the present time, one product line has been decontrolled, and that is chrome stainless steel.

Mr. CURTIS. What formula was used for that? Let's stop on that for a minute.

Mr. JOHNSON. Chrome stainless steel was decontrolled when it became apparent in the case of that product line that the real market demand was not in excess of the available supplies.

Mr. CURTIS. Would that formula apply to other items, then?

Mr. JOHNSON. Not necessarily.

Mr. CURTIS. Now, why, for example, would it not apply in this second specific thing? I like to deal in specifics. I do not understand these generalities. They do not make any sense to me.

Secondary steel-mill products. Can that same formula be applied there?

Mr. JOHNSON. In part it is a matter of the application of that formula, and in part it is the peculiar nature of the products you are dealing with there.

Secondary products, or off-grade products, if you choose to call them that, always suffer a loss of market when you require that buyers surrender tickets for them, because of the fact that you have an extra loss in fabrication of the item.

Mr. CURTIS. In other words, geared into the formula, would be, as you have previously said in answer to my question, the test to be certain that the softening of the market is not the result of a controlled demand?

Mr. JOHNSON. That is right; that is a factor.

Mr. CURTIS. Now, let me go one step further in putting that into the formula. Is there anything else on other steel products that would have to be put into that formula to determine whether or not you are going to decontrol?

Mr. JOHNSON. There are quite a number of things that would have to be taken into consideration, Mr. Curtis.

Mr. CURTIS. What, for example?

Mr. JOHNSON. One of the things that has a bearing on this is the fact that controlled-material tickets, as issued to the end user, are issued only in terms of carbon, alloy, and stainless steel. They do not relate to specific products.

Mr. CURTIS. You mean shapes?

Mr. JOHNSON. They are not set up by shapes and forms; they call for carbon-steel products. So that we have the problem when we have these checks outstanding, so to speak, when you decontrol a part of the total, what you do with the outstanding checks. It is one of the problems that has to be considered in this whole problem of decontrol. It is one of the things to which Mr. Truppner and his staff are devoting a great deal of attention.

Mr. CURTIS. Mr. Johnson, the reason I am dwelling on this—I think you will agree, too—is that nobody likes controls, and the only way I am willing to see controls put on is when at the same time you have figured out how you are going to take them off and under what circumstances you are going to take them off. It alarms me a little bit to find that you people have not got a formula so when a certain thing happens or a certain sequence of events take place, you know it will bring decontrol. I think the public ought to know when they can expect decontrol on this, and they ought to know what your formulas are, because they are not something that ordinary Americans cannot understand.

We want to know when there is going to be an end to this. What do we have to do? And I think that at the very time controls were set up, there should have been a formula and there should now be a formula of when the controls will go off. I cannot see in the light of your testimony that that has been done.

Now, you talk about studies being made. I am so tired of hearing that answer, because I get it all the time in these committee hearings, and nothing ever seems to come out of these studies. When the studies are made there are recommendations, and then we find out about the recommendations and why they are not followed. That is why I am dwelling on this point.

You do not have a formula, then, I take it? I want to be sure of this.

Mr. JOHNSON. Mr. Curtis, I am not in disagreement with what you are stating. On the other hand, I would not presume to speak for Mr. Truppner, who is well able to speak for himself. I think it would be inappropriate for me to try to tell you what Mr. Truppner is going to testify to this committee.

Mr. CURTIS. Let me get this question of authority lined up now. Mr. Truppner's actual job is what?

Mr. JOHNSON. Mr. Truppner is Assistant Administrator of the Defense Production Administration. He is Assistant Administrator in charge of production controls. I believe that is his precise title.

Mr. CURTIS. In your capacity, then, as Director of the Iron and Steel Division of NPA, you do not have the authority to set up a formula for decontrol?

Mr. JOHNSON. We could suggest a formula for decontrol. We do not have the authority to control or decontrol in the Iron and Steel Division. It is an agency policy.

Mr. BURTON. May I inject there that we have Mr. Truppner coming and also Mr. Steiner.

Mr. CURTIS. Yes. But then before Mr. Truppner comes I want to get this ground work laid, so I will not have Mr. Truppner tell me he has to wait for Mr. Johnson to come up with a suggested formula.

Mr. BURTON. I was merely offering the information for your knowledge.

Mr. CURTIS. I wonder if you would comment on my comment, Mr. Johnson.

Mr. JOHNSON. Yes. If Mr. Truppner ever tells you that he has to come to me to get an answer, I would certainly like to have you tell me. I would be interested in that.

Mr. CURTIS. Well, in other words, the procedure is not for you in the Iron and Steel Division to make recommendations for the formula that you are going to use or might use in decontrol of certain iron and steel products?

Mr. JOHNSON. It is appropriate for us to make recommendations, yes, sir. It is appropriate to make recommendations, but we do not have the authorization to take the action.

Mr. CURTIS. Well, now, for example, in this non-nickel-bearing stainless steel, did you all originate that?

Mr. JOHNSON. We did.

Mr. CURTIS. Then it would seem to me I am not far off when I suggest it would be your Division and it would be you that would try to establish a formula that you would be using when you would make these recommendations.

Mr. JOHNSON. We are going to make such a recommendation to Mr. Truppner and his staff. We are awaiting the recommendations to be made by the task group of the Industry Advisory Committee. We have met with them.

Mr. CURTIS. Are they not studying, though, unless I am mistaken, specific products that might be taken off of the control list? Is that not true?

Mr. JOHNSON. We have asked them to study more broadly than that.

Mr. CURTIS. And come up with an actual formula?

Mr. JOHNSON. Yes, we have.

Mr. CURTIS. I see. Do you know when they might come back with a formula?

Mr. JOHNSON. I know the date of our next meeting is March 12. I do not know whether they will at that time be prepared to report or not. We have a meeting set up with the Advisory Committee itself on the 20th, and I was hopeful that the task group might be in a position to make its report by that time.

Mr. CURTIS. Thank you very much.

Mr. BURTON. Are you through, Mr. Curtis?

Mr. CURTIS. Yes.

Mr. BURTON. Would it not seem to you, following the same thought that Mr. Curtis has developed, that we have reached a point where there could well be a liberalization of allotments?

Mr. JOHNSON. Definitely, Mr. Chairman. On many items there certainly can be and there is such liberalization going on. It is going on, as I said, and additional tickets were issued for those people who can use cold-rolled sheets, both for the first and second quarter.

We are currently making recommendations going beyond that. So that there can be liberalization of these things.

The difficulty in part is to attempt to put the liberalization in those areas where you can utilize the products that are in long supply without creating an additional pressure on the products that are in short supply. And that sort of limits the scope.

In other words, you cannot on a blanket basis increase the allocations or authorizations, because what you do then is to increase the difficulty that you have in tight items.

Mr. BURTON. Then, are there not many products which you may decontrol at this time as well as you did the chrome stainless steel?

Mr. JOHNSON. Sir, I do not know that we can do that.

Mr. BURTON. Well, it would seem from the information we have that the liberalization is not keeping pace with your increased production.

Mr. JOHNSON. Mr. Chairman, I would like to state that this question of how much easiness there is in the market for certain products is one as to which there is more difference of opinion than the statements of the committee would seem to indicate.

I have here the Pittsburgh Post-Gazette——

Mr. BURTON. The pricing, however, is a rather definite indication.

Mr. JOHNSON. That is very true, but I think it has to be evaluated.

Mr. BURTON. Undoubtedly.

Mr. JOHNSON. In other words, if we were in the position where steel prices were being depressed because of the fact that there was an oversupply in some of these items on a general basis, then certainly there could be no question of the fact that we had reached a point of oversupply. We have not reached the point where that sort of thing is happening.

In fact, in the case of many steel producers, their order backlogs and bookings on these items to which you have referred, such as cold rolled sheets, are very heavy.

I did want to call your attention to this article in the Pittsburgh Post-Gazette of Monday, March 3, by Mr. Friedman, who is the financial editor of the Pittsburgh Post-Gazette. He comments on the fact that the steel situation is primarily marked by cross currents, because whereas there are indications of easiness, there are at the same time in the same products from other producers indications that order backlogs and bookings are very, very heavy.

So that I do not think that we can make a complete generalization, and that is why we have proposed that we approach this thing at the present time on the basis of the issuance of additional authorizations or allocations.

(Editorial is as follows:)

[Pittsburgh Post-Gazette, Monday, March 3, 1952]

THE WEEK IN STEEL

SELLERS' MARKET IN STEEL IS TENDING TO DISAPPEAR

EASINESS IN SITUATION OVER EMPHASIZED WITH NOT ALL ORDER BACKLOGS THE SAME

By Arthur R. Friedman, Post-Gazette Financial Editor

There is underway a transition from a sellers' to a buyers' market in steel but this does not necessarily mean there will be a decline in production of ingots. A summary of the current situation is that "easiness" in the market is being overemphasized.

The picture in respect to each company is not the same. In at least one instance, an open spot on rolling schedules for this month is due to Government controls.

At the same time, another producer is filled up for the second quarter on the identical product the first mill is seeking to sell.

The greater availability of steel, in a general sense, has its origin in premium-priced material which has tended to lose its market.

BETTER CONTROL OF CONTROLS

This has been going on for a few months. As better control of the "control machinery" was obtained, buyers of steel turned more and more to sources of supply which have continuously quoted the lowest published prices.

That tended to restrict the market for foreign steel as well as for material which came off high-cost mills.

Then followed the screw-down on excess inventory positions of consumers. The straw that broke the camel's back, however, was the "stretch-out" of defense applications of steel. Consumers thereupon concluded there was no need any longer to protect themselves unduly against material shortages.

Sheets and strip have turned out to be the testing ground.

Despite restrictions on use by important consumers, such as the automobile industry, there are makers of steels who are filled up for the next 4 months. In other cases, some of the steel which might go to sheet mills has been diverted to plates or other products. Sometimes it is not possible to do that.

There is the case of the large producer in the Tri-State area who had been diverting steel from tin plate manufacture to sheet production because of restrictions on the manufacture of general line cans from tin plate. The amount of this diversion became so great that its outlets for sheets became glutted.

It had no other production into which to divert the raw steel, and this is believed to be one reason the National Production Authority late last week offered 10 percent more sheets, strip, and black plate to users during the first quarter.

The consumers are to get this "bonus" provided they do not require component copper and aluminum in their own production.

The pressure upon the NPA now to decontrol steel is terrific. Thus far, the Federal agency has resisted the movement. The proponents of decontrol are reporting that production can best be handled through voluntary allocations of steel in a buyers' market.

The inference here is that some production may be lost in the period ahead if shipments continue to be controlled from Washington.

SOME "TICKETS" NOT CASHED

Thus far, production has not been affected by easing tendencies of the market. Orders may have to be solicited more actively, but this will not be for the first time. Some steel salesmen have been on the road after business for several months.

In certain products it had been observed that some "tickets" under the Controlled Materials Plan—the means of proving allocations—were not being cashed, i. e., being presented to the mills.

An unusual development occurred when a sheet maker offered to fill any orders another steel company couldn't take because it was offered more ticketed tonnage than it had production.

Mr. CURTIS. Could I interrupt there? You were talking about different kinds of structures and shapes, I presume, rather than your actual ingot production?

Mr. JOHNSON. That is right. I was talking specifically about sheets in line with the chairman's comments.

Mr. BURTON. I think my comment would refer more to warehouse stocks, which, of course, would be sheets and forms of that kind.

Mr. CURTIS. You could actually have an excess of ingots and because of your productive capacity for producing either sheet or certain shapes actually have a shortage there, could you not?

Mr. JOHNSON. That is true, Mr. Curtis.

Mr. CURTIS. Yes.

Mr. JOHNSON. In other words, there might be facility bottlenecks which would prevent the production of all that would be required in certain type items even though there were adequate ingots.

Mr. CURTIS. Yes.

Mr. BURTON. Is it your observation, then, that production is in very fair balance at this time, that you do not have too many of those bottlenecks?

Mr. JOHNSON. You mean with respect to the balance?

Mr. BURTON. In production, the balance between various departments of production.

Mr. JOHNSON. Yes. Currently, as you know, the steel industry is operating at approximately 100 percent of capacity, so that we are utilizing all of the ingot-producing facilities. We have through the production directive technique in the Iron and Steel Division done a great deal in order to shift the product pattern or the product mix at the various steel producers so as to get all that is possible in the items that are in short supply.

Mr. BURTON. Do you not feel there has been sufficient easing in the situation to warrant your liberalization of the self-certification limit?

Mr. JOHNSON. It has already been liberalized for the second quarter.

Mr. BURTON. To what extent?

Mr. JOHNSON. From 5 to 30 tons. In other words, we have increased it 600 percent.

Now, until we start sort of moving into the second quarter, I do not think that we can get a measure of what that has really done to us.

Mr. MCCUE. The one thing, Mr. Burton, that you cannot evaluate in connection with self-certification is the type of product that is going to be called for. We have some control over the product through the means of the applications that are sent to us.

Mr. Riehlman, I wanted to ask you if you would just give me a little more information about that structural situation. I wanted to ask you whether or not some of that problem, as far as you know, is related to housing.

Mr. RIEHLMAN. No.

Mr. MCCUE. Is it all public building?

Mr. RIEHLMAN. It is all public buildings that I had any complaint on, yes.

Mr. MCCUE. Thank you, sir.

Mr. BURTON. Mr. Dalmas, do you have further questions?

Mr. DALMAS. Mr. Johnson and Mr. McCue, I want to ask both of you categorically whether or not you will study this proposal for increased self-certification both as to the manufacturing and the construction field, and move that up to the maximum possible? Because, as you know, a school building or a church or any number of small commercial buildings do not require over 50 or 75 or a hundred tons of steel.

Mr. JOHNSON. Yes.

Mr. DALMAS. Now, if a man can self-certify for 30 tons and he needs 35 to complete his school, he is in bad shape, is he not?

Mr. JOHNSON. Yes.

Mr. DALMAS. He might as well not have the 30. And I think that through the self-certification method you do retain control, although you do not know what products have been bought until the end of the

quarter. I realize that you cannot change the method right in the middle of a quarter.

But the second quarter has not come up yet and will not come up until April 1, so you have nearly 30 days to work on the proposition, if you will. I think it would be some comfort to the committee to know that you would study that sort of a recommendation.

Mr. JOHNSON. Mr. Dalmas, we certainly shall do that. I do not think we need to point out to this committee that we certainly want to do everything to make sure that production is at the maximum and that production is utilized and that it is utilized to the best interests of the economy of the country as a whole.

It does cause us a good deal of concern in the Iron and Steel Division if we feel that at some future point the controls themselves are going to result in cut-backs in production. We do have the feeling that this requires constant surveillance. Based upon the reports which we get from the industry people, from the product specialists who are in the Division, we are in a position from time to time to make recommendations that steps be taken to avoid such an eventuality.

Mr. DALMAS. Do you not think that part of your trouble insofar as product distribution is concerned, after you set your goals, is that you have agreed to what was known as direction 3, which is now written into the order M–1, as amended, which in effect takes the distribution of materials out of your hands and gives it back to the industry, and they are therefore able to distribute that steel up to within 15 days of the beginning of the lead time?

Everybody that we have ever talked to, both under the older plan and under the new order—the old order was 10 days and now it is 15 days—we have been told constantly there never was a pound of steel available during that 15 days, so that is just so much printing.

Do you not think part of your trouble lies in direction 3?

Mr. JOHNSON. Mr. Dalmas, I certainly dislike to disagree with you.

Mr. DALMAS. I expected you to disagree, so it is all right.

Mr. JOHNSON. But the fact of the matter is that we believe that direction 3 is completely sound, not only in principle but in operation it has not worked to anyone's detriment.

Now, in the first place, let's just look at the principle a little bit.

The principle that each supplier and each buyer shall have the privilege of seeking one another out is the whole principle of the free American economy, and it is as applicable on one side as it is on the other.

Now we have in the steel business something like 200 producers. Some of them are very, very small. Some of them are very large. We have about 300,000 steel buyers and they are both large and small.

Most, presumably every company in this country which has ever grown from small to large has grown that way because of customer preference. It has had a product which somebody preferred and somebody bought.

Mr. DALMAS. And good salesmanship.

Mr. JOHNSON. Correct. But good salesmanship will never for a long period sell a bad product.

So from the standpoint of the principle I think there could be no disagreement that it is a good idea.

Now as to your point of having relinquished the control of this thing, I tried to point out in my statement that in fact no real control

has been relinquished because the Government issues the tickets, therefore, the Government says who may buy. The Government says to the producer what he may produce.

In other words, through the production directive his production is controlled, and therefore this freedom to make arrangements between the buyer and the producer can only be exercised within those limits.

So it is not a question of setting up allocations in the Government and then saying to the steel mills, "Now, you can make your own," and the ones that were made here no longer count.

The steel producer can sell only to the man who has the tickets, and so long as you retain the control over the distribution of the tickets, you have effectively put limits on what may be done under direction 3.

Mr. DALMAS. Of course, the steel producer can make his choice of customers.

Mr. JOHNSON. That is right.

Mr. DALMAS. And he can fill your order a hundred percent.

Mr. JOHNSON. That is correct.

Mr. DALMAS. And he may say to me, "I can't fill your order but 50 percent."

Mr. JOHNSON. That is right.

Mr. DALMAS. "You go elsewhere and look," and I can't find it elsewhere. So there is no guaranty there but on a first-come-first-served basis if I go to the steel mill and he has the tonnage available for that quarter, he has to fill my order.

Mr. JOHNSON. Then when someone else comes with his order it cannot be taken at all. You got the same result either way.

Mr. DALMAS. If you are allocating within your available supply, presumably all of your tickets are going to be taken care of.

Mr. JOHNSON. Mr. Dalmas, you have put your finger squarely on the nub of the question. If the supply and the demand are in balance, then, of course, every ticket finds a home. And the only problem that we have had with direction 3, or for that matter with the Controlled Materials Plan in its entirety, so far as steel products are concerned, is the fact that in certain products it has not been possible to achieve production at the rate even to meet a hundred percent of the controlled demand.

Mr. DALMAS. Then your attrition factor has been wrong, too, has it not?

Mr. JOHNSON. I do not know, Mr. Dalmas, whether anyone can say that the attrition factor has been really right or wrong. It is an estimate at best. It is someone's judgment as to what percentage of the total tickets issued will not be presented for cashing. That is an extreme variable because you have to read the minds of every purchaser to get the real answer.

Mr. DALMAS. What I mean is you set up a certain attrition factor for the fourth quarter. You have changed it for the first quarter. You have also abandoned your cut-off date which was to be January 7, so that your unfilled fourth-quarter orders would ride over into the first quarter.

Mr. JOHNSON. Yes.

Mr. DALMAS. Thereby futher distorting the attrition factor. So, the question which is constantly concerning us about these tickets is that, if your attrition factor is wrong and if you change the plans as

you go, you do run up against the situation such as Mr. Riehlman and Mr. Curtis described—a situation where "steel is available, but I have not received the necessary tickets," or "I have the necessary tickets but the steel is not available."

Mr. JOHNSON. Are you suggesting, Mr. Dalmas, that the attrition factor has been too low?

Mr. DALMAS. I am suggesting that the attrition factor is wrong in some way. I am asking.

Mr. JOHNSON. I only posed that because of the fact I think the members of this committee were of the opinion that the attrition factor was much too high in the fourth quarter.

Mr. DALMAS. That is right.

Mr. JOHNSON. And it has been changed only slightly for the first quarter with respect to steel. So, if the attrition factor was too high in the fourth quarter and too low in the first quarter, it can only be because other factors have changed, because the attrition percentage has scarcely changed at all in steel.

Mr. DALMAS. And on top of all of this you have the super-super-priorities in the form of directives; you have certain military programs which are under directives; you have a machine-tool program which is under directives.

Now, coming back to the question of control or decontrol, what you have really left in CMP, as I see it, is a number of high-band priorities with the rest of it practically running free except for your limitation orders on some products.

Mr. JOHNSON. Well, Mr. Dalmas, it runs free within the total volume of tickets issued. The control is the issuance of the tickets really.

Mr. DALMAS. I understand. But we have seen where there were not enough tickets in some instances and too many tickets in others.

Now, I simply want to bring that out to back up the situation that seems to be developing somewhere along the line. Maybe we have too much control of this steel supply.

Mr. JOHNSON. I think that you and we are thinking very much the same, Mr. Dalmas; that we are definitely at the point where we have changed. When we appeared before this committee last fall, the question was primarily one of how in the world are we going to get the tickets cashed, and this morning the problem seems to be primarily one of how are we going to get more tickets out to get cashed, because the money is in the bank.

I think that you are saying much the same thing we are saying: that we have to do everything to be alert so as not to have a system of controls which in itself will be damaging.

Mr. DALMAS. Will bog down the whole.

Mr. BURTON. You have described it.

Mr. DALMAS. Mr. Chairman, there are a number of other questions, and I am going to ask your permission, if the witnesses are willing to cooperate, in order to save the committee's time and their time, that in order to have the record complete we be permitted to submit additional questions in writing.

Mr. MCCUE. I would like to ask one point. Do I understand you clearly that you want our views in regard to self-certification on both consumption and construction; that is, manufacturing and con-

struction? Would your proposal include, for example, such things as private house construction and so forth?

Mr. DALMAS. I do not think that I would like to particularize across the board, but what I had in mind in the construction field are more schools, hospitals, and things of that nature which were absolutely needed in the country. In the manufacturing field, I judge it would be across the board.

But all I asked you to do was to study it and make a recommendation so that as we come into the second quarter, if DPA and NPA make a determination that they have to keep controls on a lot of these products, we simplify the situation and simplify the procedure by upping the self-certification requirements.

I hope your recommendation will be favorable.

May we submit those questions, Mr. Chairman?

Mr. BURTON. I think that would be entirely in order.

Mr. JOHNSON. It is satisfactory to us.

Mr. BURTON. Have we other questions?

Mr. RIEHLMAN. No.

Mr. CURTIS. No.

Mr. BURTON. Inasmuch as we are to reconvene at 2 o'clock this would seem a good time to recess that we may go on the floor, and we will look for you back at 2 o'clock.

Mr. DALMAS. Mr. Chairman, may I say one thing before you close the meeting. Mr. Johnson and Mr. McCue have been most cooperative with the committee during the preparation for these hearings and prior to that time. I think I can say without exaggeration that the numerous problems that we throw in the laps of the Iron and Steel Division are very well handled.

Mr. JOHNSON. We appreciate that very much, Mr. Dalmas.

Mr. MCCUE. Mr. Chairman?

Mr. BURTON. Mr. McCue.

Mr. MCCUE. I would like to make a brief remark also with respect to the fine working arrangements that we in the Iron and Steel Division have with Mr. Dalmas and his staff.

Mr. BURTON. Thank you, Mr. McCue. I would like to thank both you and Mr. Johnson and commend you upon the directness with which you have answered our questions. We have always found you most cooperative.

We will recess until 2 o'clock.

(Whereupon, at 11:50 a.m., the committee recessed to convene at 2 p. m. of this same day.)

(Supplementary information submitted is as follows:)

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, April 4, 1952.

Mr. VICTOR P. DALMAS,
Executive Director, Select Committee on Small Business,
House of Representatives, Washington 25, D. C.

DEAR MR. DALMAS: This is in response to your letter of March 19, 1952, addressed to Mr. Herbert Johnson, who has recently left the National Production Authority, and to Mr. Frank McCue. The answers furnished below follow the order of the questions submitted in your letter.

STEEL SUPPLY

1. What steel products now are in good supply? What are in tight supply?

With the exception of heavy plates, wide-flange structural steel, hot-rolled and cold-finished bars, seamless pipe and tubing, and galvanized sheet, carbon-steel products are generally in balance with the present controlled demand. Some steel products, such as electric weld tubing, hot-rolled and cold-rolled strip, are presently in oversupply so that substantial tonnages are seeking a market.

2. Have any mills cut back their production of any steel products because of lack of demand?

We have been informed of a number of cases where mills have reduced production of certain products due to lack of demand. Several companies have taken off small steel-making furnaces.

3. Is the production directive procedure flexible enough to respond quickly to changes in demand? Have mills been required by production directives to produce more of a certain product than they have been able to sell?

The production directive procedure can quickly reflect changes in demand within the limitations of available facilities. Production directives are set up on a monthly basis so as to provide the greatest possible maneuverability. Mills are not required to produce more than they can sell under the production directive system.

4. Is the shortage of copper and aluminum partially responsible for inability of steel mills to fill their orders for certain steel products?

The shortage of copper and aluminum tends to restrict markets for certain steel products since many manufacturers of items consuming or requiring copper, aluminum, and steel require a balance which is relatively inelastic as among these metals. Accordingly, this factor could be partially responsible for the inability of steel mills to fill their order books for certain steel products.

If this question is to be interpreted as requiring information with respect to shortages of copper and aluminum in connection with the production of steel products as such, it is our opinion that shortages of copper and aluminum are not currently responsible for any losses in such production.

PLACEMENT OF ORDERS

1. How many complaints of inability to place CMP tickets were received by the Iron and Steel Division during the fourth quarter? At present?

A considerable number of complaints of inability to place CMP tickets was received during the fourth quarter but no accurate record of the exact number was kept by the Iron and Steel Division. Early in December a formal procedure for receiving such complaints was established and NPA Form 148 was adopted. Since the adoption of this form, the Iron and Steel Division has received a total of 335 requests through February 18, 1952, for assistance in placing first quarter tickets, and a total of 137 requests through April 4, 1952, for second-quarter tickets.

2. Have warehouse customers had any difficulty in placing orders at warehouses? If so, what procedure in issuance of tickets can be utilized to break this apparent log-jam?

It is important in considering this question to keep in mind that steel warehouses operate on an "off the shelf" basis. In other words, a customer is able to place his order only if the warehouse has the material in stock when the customer's order is received. As a result, whenever warehouse stocks are low, a customer may find it necessary to "shop around" among warehouses in order to satisy his requirements. We believe that some customers have found it necessary to "shop around." However, we are not aware of any situation among warehouses that could fairly be termed "a log-jam." Under present NPA orders and regulations, warehouses are obligated to make deliveries on authorized controlled material orders in preference to other orders when the items are in stock.

3. Has the Iron and Steel Division been able to render effective assistance to persons who have been unable to place tickets?

We believe that we have been able to render effective assistance to persons who have been unable to place tickets by making arrangements directly with the mills for the placement of such tickets. Our records show that requests for assistance have come from holders of tickets representing less than 1 percent of the estimated first-quarter steel production.

4. The committee has noted that direction 3 to Order M–1, which, in effect, allows steel mills to choose their own customers up until 15 days before lead time, has been incorporated into the order. Do you believe small firms have been adversely affected by the freedom given the mills to select customers?

In our opinion small firms have not been adversely affected by the privilege given customers and steel mills to negotiate their own contracts. In view of the fact that thousands of small buyers of long standing deal directly with producers, we believe that small business has benefited.

5. Do you believe this system has any great advantage over a first-come, first-served system of accepting orders?

The Iron and Steel Division believes that permitting buyer and seller to seek one another out is more desirable than the mandatory requirement of acceptance of orders on a first-come, first-served basis. Supplier as well as producer may be either large or small business. We believe that the freedom of buyer and seller to choose the firms with which to do business is fundamental to the American system of free enterprise. This system also saves a large amount of unnecessary cross hauling, eliminates confusion in order systems of both mill and customer, and permits the mills, which vary considerably in their capacity to produce different sizes and types of items, to utilize their distinctive facilities in filling the type of order which will yield the highest production. The disruption of normal order handling which arises from a strict first-come, first-served system results in less efficient utilization of facilities and manufacturing know-how.

6. Has any space been left on mill books for steel products in tight supply by the beginning of the 15-day period in which orders are taken on a first-come, first-served basis. In other words, has this 15-day period given any actual protection to manufacturers who have no established mill source?

There has been space available at the beginning of the 15-day period, but not for all products and not on all mills. As stated above, the small percentage of requests for assistance would seem to indicate that those manufacturers who have no established mill source have been benefited by this 15-day period.

7. You have testified that CMP orders may now be carried over from one quarter to the next. What is the estimated carry-over of steel from the first to the second quarter?

The estimated carry-over of steel purchase orders from the first to the second quarter is two to three weeks.

8. What is the average time-lag in filling orders carried over from the first to the second quarter?

Carry-over tonnage is the first obligation of the producers.

DECONTROL

The determination of appropriate methods of decontrol does not fall within the functions or responsibilities of the Iron and Steel Division. Therefore, this question has been referred to Mr. William C. Truppner, Assistant Administrator for Production and Distribution Controls, DPA, who will cover this question in his letter to you. (See p. 693.)

ATTRITION

1, 2, and 3. These questions, which relate to estimated rates of attrition and the chief causes of attrition, have been referred to Mr. George Steiner, Director of the Requirements Committee Staff, Office of Program and Requirements, DPA, who will answer them in his letter to you. (See pp. 696–699.)

4. Has the Iron and Steel Division made any investigation to determine the specific lines of manufacture where attrition is occurring at the greatest rate? In other words, are manufacturers of certain types of civilian products turning in a greater than normal portion of their allotments?

The Iron and Steel Division has not made an investigation to determine the specific lines of manufacture where attrition is occurring at the greatest rate. A reply to this question is contained in Mr. Truppner's letter of even date herewith. (See p. 691.)

5. If a holder of a CMP allotment decides not to use the full portions of the allotment, is he not required to turn the allotment back? Have manufacturers generally been complying with this requirement?

A person who has been allotted controlled material is required by section 18 (b) of CMP Regulation No. 1 and by section 18 (b) of Revised CMP Regulation

No. 6 to determine as of the first of each month whether he has been allotted more controlled material than he anticipates he needs, and to return the excess if he finds he had been allotted substantially more than he needs. As of March 25, 1952, NPA has received 23,451 voluntary returns of allotments on Form CMP–12, the form designated for this purpose. It would appear from the volume of these returns that manufacturers generally have complied with the requirement to return unneeded allotments.

6. How long may a holder of a CMP allotment hold it before he is required to make a decision whether to use it or not?

A CMP allotment bears a calendar quarter designation and is valid only in relation to purchase orders placed for delivery during the quarter thus designated. Consequently, a holder of a CMP allotment must decide whether or not to use such an allotment before or during the quarter for which it is valid.

DIRECTIVES

1. Is there any way to eliminate the necessity for issuance of such directives or to decrease them below present levels?

So long as there are urgent and unforeseen demands to meet the needs of paramount programs such as those of the Defense Department and the Atomic Energy Commission, it will be necessary to issue directives directing the mills to speed up deliveries of orders already accepted or to accept new orders.

2. Does the necessity for directives indicate that CMP is not measuring up to the claim that the normal allotment procedure provides a "certified check" for materials?

The fact that directives must be used in some cases to fill urgent and unforeseen demands does not indicate that CMP is failing to measure up to the claims made for it. In fact the comparatively few directives that have been required to date where the volume of the programs involved is taken into account, leads to the conclusion that CMP is living up to such claims.

3. Every directive carries with it the danger of depriving other consumers of materials and of disrupting their production schedules. Has this been a serious problem to date?

From January 1, 1952, through March 21, 1952, total steel product tonnage directed for all purposes has been 283,000 tons which is less than 1½ percent of the estimated first quarter production. In view of this small ratio, it can be readily seen that the issuance of directives has not created any serious danger of depriving other consumers of material or disrupting production schedules.

4 and 5. These questions have been referred to Mr. William C. Truppner, Assistant Administrator for Production and Distribution Controls, DPA, who will answer them in his letter to you. (See pp. 693, 694.)

COMPLIANCE

(from the viewpoint of the Iron and Steel Division)

1. On January 31, the Wall Street Journal quoted several regional directors of NPA to the effect that 60 percent or more of the plants checked by compliance officials had inventories in excess of the permissible amount. From your own experience, do you believe that a large number of manufacturers are violating steel inventory regulations?

The Iron and Steel Division is charged with no responsibility concerning inventories in the hands of manufacturers using steel in the production of their products. Accordingly, this question was referred to Mr. Robert H. Winn, Assistant General Counsel in charge of enforcement proceedings, and his answer follows:

The newspaper article referred to assumes incorrectly that any holder of inventory of any item in excess of the maximum specified in the inventory regulations is in violation. CMP Regulation No. 2 prohibits the acceptance of delivery of items of controlled material if the inventory of such items is, or by such receipt would become, in excess of the maximum permitted. However, it should be clearly understood that the mere possession of more than a 45-day supply or a practicable minimum working inventory of a particular item does not violate the regulation. There are several situations in which acquisition of quantities in excess of the generally permitted levels may be lawful. Thus deliveries made prior to the delivery date specified by the user and shipments made prior to instructions to reduce, postpone or cancel a delivery may be received even though they result in inventory holdings which exceed the generally prescribed maximum.

Similarly, imported material, minimum mill runs, and special items which were produced prior to cancellation may increase inventories without violating the regulation.

It should also be noted that since under CMP Regulation No. 2 inventories are maintained on an item basis, a concern using numerous different items may be in compliance with respect to the great majority of its items but may have exceeded the permissible limits to a minor extent with respect to a single item or a small percentage of items. In the absence of wilfulness, this type of situation can ordinarily be dealt with by educational techniques, or in border-line cases, by letters of admonition.

While a considerable number of petty violations may exist, they have no important impact upon the successful operation of CMP. On the other hand, substantial or wilful violations have been found in very few of the total number of cases examined. The vigorous corrective action which has been taken in cases of substantial or wilful violation has had, we believe, a salutory effect, and we have observed no trend toward increasing violation of the inventory regulations.

2. Do you believe that present inventory regulations are realistic and workable? Would you recommend any changes?

In view of the generally successful operation of the Controlled Materials Plan it appears that the present inventory restrictions on steel, vis. a 45 days supply, are somewhat too restrictive and a proposal is in process to increase the inventory amounts to 60 days. In addition, it is proposed to relax the inventory restrictions by giving the user the option of applying the limitations either to classes of controlled steel materials or to individual controlled steel material items.

3. During the third quarter, a number of manufacturers apparently had duplicate orders on the books or had ordered more materials than they were allotted. Have these conditions been corrected since then?

Assuming that allotment holders had in fact placed double orders without appropriate cancellations during the third quarter of 1951, the resulting excessive orders were cleared out of the system by means of Direction 7 to CMP Regulation No. 1, which provided a cutoff on carryover orders placed under third quarter allotments. Since that time the reasonable level of order backlogs at mill levels clearly indicates that the problem of duplication of orders has been minimized.

4. Has the premium-price market in steel declined in recent weeks? What do you believe caused a change in this market?

The premium price market in steel has declined in recent weeks. The fact that supply and controlled demand have come into substantial balance appears to us to be the principal reason for this decline.

5. From your own experience, do you believe that there are any present problems in the distribution of steel which could be alleviated by more effective compliance with regulations?

Problems of steel distribution are only incidentally affected by the degree of compliance and enforcement activity. While serious problems might arise if there were no such activity, we believe that the number and extent of violations are at present within normal and reasonable limits, and we do not think that compliance is a factor of any considerable consequence in relation to current problems in steel distribution.

Sincerely yours,

J. D. DARBY,
Director, Iron and Steel Division.
FRANK T. MCCUE,
Assistant to the Director, Iron and Steel Division.

AFTERNOON SESSION

Mr. BURTON. We will call the meeting to order. Will Mr. Roger E. Allen, the Acting Director of the Office of Materials, Small Defense Plants Administration, be good enough to step up?

STATEMENT OF ROGER E. ALLEN, ACTING DIRECTOR, OFFICE OF MATERIALS, SMALL DEFENSE PLANTS ADMINISTRATION; ACCOMPANIED BY CLEMENT A. DUCY, DIRECTOR, MATERIALS DIVISION, SMALL DEFENSE PLANTS ADMINISTRATION

Mr. ALLEN. Before joining Mr. Taylor's staff I was a consultant with the National Production Authority on Ireland's staff in the Ferro-Alloys Division and then in the Metals and Minerals Branch for about a year. That is a preface to my statement. At the present moment I am the Acting Director, Office of Materials, Small Defense Plants Administration.

Mr. Congressman, I take it you want me to read my statement.

Mr. BURTON. I believe that would be the best procedure. Then, when you are through, we will have questions for you, following your statement.

Mr. ALLEN. Yes, sir.

Congressman Clarence G. Burton has asked me to testify regarding the problems of small firms in obtaining an adequate amount of controlled materials and I welcome the opportunity to discuss this subject.

Section 714 of the Defense Production Act of 1950 spells out the intent of Congress with reference to the material problems of small business. In view of the limited authority granted the Small Defense Plants Administration by the act, and because the determination of programs and the complete allocation of the controlled materials is vested in the Defense Production Administration (DPA) administered through specifically designated claimants and NPA operating divisions, it is evident that—

(1) SDPA has no materials to allocate.

(2) Assistance in the material area must be confined to the protection of small business in the preparation, decisions and administration of allocation programs.

(3) SDPA must protect small business by consulting with other Government agencies in the analysis of problems leading to orders and regulations, the preparation of such orders and regulations, and the final approval and issuance of said orders and regulations.

(4) Assistance to individual identified small businesses in their material problems is confined to supporting justified claims through the established procedure of other government agencies (the claimants and/or NPA operating divisions) with reference to supplemental allotments, hardship cases and correction of administrative errors.

Following out this fundamental conception of the participation of SDPA in the materials problem, we have taken the following steps:

(1) Our Administrator is an official member of the DPA Requirements Committee which is made up of 14 top-level Government Claimant and NPA officials. As director of the Office of Materials, SDPA, I am Mr. Taylor's alternate on this committee.

(2) I am an official member of the DPA Program Adjustment Committee. This committee is the working committee of the DPA Requirements Committee, hearing appeals, requests for adjustment, analyzing programs and developing preliminary determinations for the official action of the DPA Requirements Committee.

(3) I am an official member of each NPA Operating Division Requirements Committee, (approximately 30) represented by alternates from my staff when necessary.

With this representation we are in intimate contact with the build-up of the original stated requirements in the NPA Operating Division; we participate in all the analyses of these as well as Claimants' requirements in the Program Adjustment Committee and assist in developing the preliminary determinations; as a member of the DPA Requirements Committee we participate in the final authentication of the programs each quarter; in the NPA Operating Divisions' Requirements Committees we participate in the adjustment of the allocation programs to reflect the determinations and allocations made by DPA to the specific NPA Operating Division concerned.

By these means, we are continually striving to protect the small business area by insisting, with respect to materials that "a fair and equitable percentage thereof shall be allocated to small plants."

A further protection to small business is afforded by means of formal attendance at the Order Clearance Committee of NPA. This committee reviews each and every order prior to its issuance by NPA. At these meetings or prior thereto, we have an opportunity of suggesting or recommending changes in proposed orders that will alleviate undue restrictions or protect the small-business interests with reference to the subject matter of the order under consideration.

In order to be cognizant of conditions throughout the economy, members of the staff of the Office of Materials, SDPA, attend many Industry Advisory Committee (IAC) meetings. These Industry Advisory Committees are made up of big business, small business, and geographically spread memberships. Information garnered from these meetings points out conditions affecting small business and helps guide us in any action that we take.

In Congressman Burton's invitation, he suggested that the committee wanted to discuss principally the problems of small firms in obtaining an adequate amount of controlled materials. This, then, pinpoints the question "How has small business fared under the operation of the Controlled Materials Plan (CMP)?"

In my opinion, the Controlled Materials Plan is not only the most favorable method of distributing material but it also affords the greatest protection to the small-business area. *The results, however, are directly proportioned to the competency and adequacy with which this plan is administered.* (In contrast to the CMP program it was and is clear that a system of distribution based on a priority arrangement to protect direct defense programs left the balance of material open. In this open area big business, because of its power, ability, expediting know-how, previous and future customer-producer relationship, and sometimes even favoritism, is always able to dominate the situation. As a result, small business cannot possibly get its fair share of material.)

In the allocations of A products (vertical allocation) under CMP, the only help that small business needs is to make sure that it is provided with the proper material that has already been allocated to the specific A product programs.

In the allocation of B products (horizontal allocation) under CMP, which is almost entirely administered through the NPA operating divisions, the nature of the allocating system is such that the small-business area is not assured of its proper participation in material distribution without continuous and vigorous attention of SDPA, the only agency that Congress has set up to be the official spokesman and advocate of the small-business man.

B product items (including everything but A products such as tanks, airplanes, and so forth) are classified into product codes. All these product codes are assigned to specific NPA operating divisions for administration.

The NPA operating divisions administer the allocation program on a formula basis established in relation to an identified base period. The difficulties of administration, the element of timing, and NPA's interpretation of the Defense Act, result in a mathematical horizontal allocation of controlled materials to product codes in relation to an established base period. Direct defense and defense-supporting items are maintained as near screened requirements as possible. The area of civilian or nonmilitary product codes is administered by developing a formula restricted to the quantity of material available after the defense and defense-supporting items are taken care of. It is therefore evident that this latter programming is at a severely depressed rate.

Where small business participates in product codes that are direct defense or defense-supporting, the allocation program itself affords plenty of protection of those small-business concerns identified with this area.

The impact of material shortages for small business lies largely in the civilian and nonmilitary items. Since the allocation in this area is at an extremely low level, and since NPA arbitrarily assesses the essentiality of product or product codes when developing the program for this area, small business, even in the preferred codes of this group, is severely handicapped by low-level allocations and in the less favorable codes, the result is disastrous.

SDPA is identified with, sponsors, and supports three corrective actions (1) the raising of the general level of allotments in the civilian and nonmilitary areas, believing that this can be done without disturbing the legitimate defense programs and/or defense-supporting activities; (2) the elimination of bands of essentiality within the civilian and nonmilitary area, believing that unless a shortage of specific products exists, all civilian production is entitled to equal treatment; (3) the correction of the erroneous conception of "equitable distribution" as contained in the mathematical horizontal allocation method being used in NPA. There follows an analysis of these three points:

(1) Greater importance must be attached to the small-business area of the general economy, particularly that portion which is not able or has not been able to participate in defense and defense-supporting programs. This conception must be more actively accepted in establishing the allocation programs by both DPA as well as NPA.

(2) SDPA takes the position that unless there is an identified shortage, it is just as important to maintain one segment of the small-business economy as another. Until identified shortages do exist, there is no reason for favoring one industry or product over another.

(3) SDPA believes that a "fair and equitable distribution," after military needs are taken into consideration, should be made in relation to the needs of the individual companies rather than a straight mathematical formula based on horizontal allocation by product codes. Because the adoption of this premise would not be entirely feasible due to administrative and timing difficulties, SDPA originated and has jointly worked with NPA in developing the small-business hardship program that is being put into effect the second quarter of 1952.

The small-business hardship program provides for the regular allocation of material to the civilian codes in accordance with the NPA established formulas. It further provides for a reserve to be used to channel additional material to qualified single-purpose companies on supplemental allotments. This additional material then has the effect of permitting distressed companies to receive more material than the basic mathematical formula dictates.

SDPA believes that to protect adequately small business in material problems it is necessary to integrate forcefully the SDPA influence into the policies and criteria used in developing the allocation programs. However, we believe that the actual allocation of the material should remain in the hands of the existing allocating agencies either in Washington or in the field offices under the control of the Washington headquarters.

In view of this, to perform competently our functions, it is imperative that the Office of Materials, SDPA, have intimate, direct contact with all levels in DPA and/or NPA. To further this, the Office of Materials has been organized into branches corresponding to the bureaus in the basic organization of NPA. By this method, we are better able to have intimate contact with the problems and personnel of the NPA bureaus because our personnel will be technically equipped and will be confined to definite areas of operation.

There has been resistance in NPA to this program of integration with the attempt to channel our contacts with NPA through a single door, namely the Office of Small Business, NPA. From the standpoint of SDPA, this is entirely unsatisfactory. Due to the magnitude and complications of complete control of materials in DPA and NPA, adequate protection to small business in material distribution policy and programs cannot possibly survive under this handicap.

Mr. DALMAS. Mr. Chairman, I would like to interrupt if I may.

Mr. BURTON. All right.

Mr. DALMAS. Has that matter been worked out to the entire satisfaction of the SDPA and the NPA?

Mr. ALLEN. I would say since dictating this report there has been a very, very active change in their attitude of cooperation and it is showing much change—in other words, in doing the things that we have been asking for here.

Mr. DALMAS. In other words, certain administrative orders to which SDPA objected have been revised?

Mr. ALLEN. There have been revisions or they are being revised and contacts themselves with NPA top-level officials are being put on a basis of cooperation that we had not had before this was dictated. This happened in the last few days.

Mr. DALMAS. And that has been worked out between Mr. Taylor and Mr. Fowler, so there is no question about its authenticity?

Mr. ALLEN. That is right.

Mr. DALMAS. Thank you, sir.

Mr. BURTON. Proceed, Mr. Allen.

Mr. ALLEN. A tentative arrangement with NPA routes matters of spot assistance in obtaining emergency allocations of material for individual companies through the NPA Office of Small Business. I do not believe this arrangement is the most satisfactory. Such procedure merely adds one more step in the handling of these spot-assistance cases. In addition, SDPA has no control over the effectiveness of the presentation and is forced to forego consultation with the appropriate NPA officials who must pass upon the merits of such cases. Further, this office has no direct or immediate knowledge of the decisions reached in the specific cases, thus is unable to counsel the small-business man seeking aid with respect to further measures of action that are available to him.

Mr. EVINS. May I interrupt to ask why? Why were you not permitted to have consultation with these officials? Why were you not able to counsel with small business?

Mr. ALLEN. At the present moment there is a tentative arrangement between Mr. Taylor and Mr. Fowler in which all requests for assistance to small business as individual cases must be channeled through the Office of Small Business and forwarded from there to the operating divisions, the respective operating divisions of the NPA.

We do not like it.

Mr. EVINS. And you cannot even consult with them?

Mr. ALLEN. Oh, I would not say that but——

Mr. EVINS. Well, you so said in your statement.

Mr. ALLEN. It is not free and easy. We do it if we can do it, by brute force and awkwardness, you might call it, I mean the routing and procedures and so forth, they are to go through the Office of Small Business.

Mr. EVINS. And SDPA has no control and is forced, according to your statement, "forced to forego consultation"—you say "forced to." Who forces you?

Mr. ALLEN. Well, if we follow written procedure orders issued by NPA, that is a true statement. It is their own internal order.

Mr. EVINS. And you have got to follow written orders of NPA?

Mr. ALLEN. Do you want a true answer?

Mr. EVINS. In your agency—yes, I do want a true answer.

Mr. ALLEN. If you want a true answer, I disregard them when they do not disrupt things, but I probably have no business doing it.

Mr. EVINS. More power to you.

Mr. ALLEN. In addition to the above facts, it is reasonable to conclude that as the official governmental spokesman and advocate of the small-business community, the recommendations and personal consultations of SDPA staff membes in such matters will be accorded more favorable consideration by the NPA officials making such adminis-

trative determinations than if such representations were made by just another subdivision of an office within NPA, and that is the other paragraph supporting our position.

Mr. DALMAS. The NPA industry divisions do not object to your dealing with them, do they?

Mr. ALLEN. No, so far as I know—this is only personal observation—they do not. But they have had a written order issued in NPA which does not govern us but governs them in which they have instructed them to take the orders through other places.

Mr. DALMAS. That is the order Mr. Taylor and Mr. Fowler are working out?

Mr. ALLEN. Yes, but the spot system is still there as it was, and I still contend that is not the most efficient way of doing it.

The Office of Materials, SDPA, wishes to make the following recommendations:

(1) There should be no abridgment of the official representation by SDPA on the DPA Requirements Committee, the DPA Program Adjustment Committee nor in the participation in the DPA staff work with reference to these committees.

(2) There should be no abridgment of the official representation on the NPA Requirements Committees nor of the formal attendance at and participation in the NPA Order Clearance Committee.

(3) SDPA should retain the right to determine the extent of its attendance at NPA Industry Advisory Committees.

I would like to put in an aside on that.

We were asked to consult with the Office of Small Business which ones we should attend. We do not take that stand. We do attend the ones we can get information out of, if they do not refuse the invitation. It is all by invitation, and therefore we have to get that.

(4) There should be no abridgment of the duties and responsibilities imposed by Congress of direct consultation with the NPA operating divisions and their personnel with respect to policies, distribution programs, and assistance for individual small businesses.

I would like to put an aside on that.

Since yesterday there has been a very great change in their coordination and cooperation. I think that the problem we have been facing when I dictated this is beginning to be smoothed out because I think there has been finally a much better coordination and cooperation.

(5) That the responsibility for establishing the policy, criteria, and individual actions in connection with the small-business hardship program be placed in the hands of SDPA rather than as now vested in the NPA Office of Small Business; NPA to retain the responsibility of providing the reserve to operate this program and to maintain the responsibility of issuing the necessary supplemental allotments.

(6) That a reserve be established in NPA earmarked for small-business hardship cases to be administered by SDPA. (This reserve may be combined with the reserve mentioned above and both types of assistance to small business can be administered by SDPA out of the same reserve.)

Mr. BURTON. Thank you, Mr. Allen.

Now, what comments do you have on the self-certification program and the field processing of applications for small amounts of controlled materials?

Mr. ALLEN. Well, on the self-certification there has been a change in production materials. I have not got the exact figures, but steel was quoted from 5 tons up to 30 tons. That is not a complete statement, though. It is 30 tons or its previous history, whichever is less, and I think that is a very good provision because it keeps the use of steel at least not beyond the previous going rates, so that we might not have a running out of control——

Mr. BURTON. Thirty percent over what basic period?

Mr. ALLEN. I think the period is 6 months prior to Korea. Most of the programs are for that, but there is some variation and I could not tell you without looking it up.

Now, I do not think you should confuse production steel and construction steel. The two things are separate, but I think that this morning in the discussion we were getting some of them mixed up.

In the construction field there is a self-certification in home and housing at one level, and there is a self-certification in commercial or the other type of construction. Both of those areas——

Mr. BURTON. Do you happen to know the amounts?

Mr. ALLEN. I can tell you the amount that I think will be in effect as of today. In commercial it is 5 tons of steel and in houses it is 1,950, I think, approximately, pounds; approximately a ton. There is a raise, I think, from 2 tons to 5 tons in the construction field, which will permit a lot of store building and that type of building to go on that did not go on before without getting tickets.

That is the total amount this morning, I think, from the testimony about self-certification.

Mr. BURTON. That is automatic?

Mr. ALLEN. That is automatic.

Mr. BURTON. No certification is needed from headquarters?

Mr. ALLEN. If a man wanted to build a 2-story building and he needs beams to hold the floor up and if it would not go over 5 tons, he can get it.

Mr. BURTON. He can get it?

Mr. ALLEN. Yes, sir. That was a raise over what it was in the past.

Now, in your manufactured field there is a 30-ton limit now instead of the 5-ton limit.

Mr. BURTON. Would you suggest any further changes?

Mr. ALLEN. I would like to see a study made as to raises but I do not think that anybody can simply state a figure and say, "This raises this up to a quantity"—in line with Mr. Dalmas' suggestion, because if you confined it only to the things you are talking about, which is structural steel, that is all right; but the minute that you do that then you change the balance of everything, other items such as copper and aluminum and sheet metals and ducts, heating components and everything else.

So, if you want to be able to raise that self-certifying level, then you have got to study what is going to go into it, what is going to be done and everything else by that.

If you can carry it; yes. That has been the effect of the raise from 5 to 30 and from 2 to 5 in the straight commercial store buildings

which are such as the drug stores and places that are needed in all small localities, but it does not let you go ahead on big buildings.

Mr. DALMAS. Have we in your opinion reached the point where we can extend those self-certification allotments, or should they be limited to present tonnage?

Mr. ALLEN. I would not want to make an answer without having the facilities of the technical staff of the NPA and the DPA, to see what effect that would have on the other elements such as copper and aluminum and other components. If you do not keep this in balance, then you have got into a worse situation than today.

It has to be balanced.

Now, whether this is the right spot, I cannot tell you. I think the area should be raised as fast as you can be raised, but we do not know. Whether it can stand I do not know.

I do not think we have enough experience to get any history on this, which went into effect this quarter.

Mr. BURTON. Does it affect the third quarter?

Mr. ALLEN. The second quarter, but we do not have any history, we do not know what the impact is going to be.

Now, I do think it should be upped as fast as it can be upped.

Now, I would like to make a comment, if I may, before you ask me a question about it. You asked a question on the steel industry, about when they are going to be in balance. Now, I think the answer was made without giving the premise of the question, say, 9 months or 10 months or something of that kind.

Now, you must remember that you have got a defense impact that has been made available by taking it away from your consumer durable goods and some other types of material. If you allocate——

Mr. BURTON. Not entirely; you have a considerably increased production in that.

Mr. ALLEN. That is right, but you have that area now, and if they maintain about the same allocation program they have now and carry it, then I think that they get in balance somewhere along—along what I am talking about, but if you bring the parts that were cut down, as in copper 30 percent, if you bring that up to normal open markets where it reaches where it was or pretty close, you will not get a balance in 9 months. I am scared somebody is going to get the wrong impression about this thing and say, "Here, all you got to do is to take the controls off."

I think that would raise chaos because there are so many other elements. If you were talking about steel with no other elements, then you can realize it pretty good, but across the board, the recommendation I have made is that the CMP program is working now, and it is beginning to bring forth things we want to know.

The major set-up is to be able to move fast in the high levels of allocating groups and channel additional tickets or additional help into the areas as fast as they become identified.

Now, that channelling can be done by raising your self-certification or it can be done by channelling a certain type of tickets into places where it can be done and by removing a control entirely from the production when you can measure the product, like stainless steel.

Mr. BURTON. Well, may I ask to what extent has the small-business hardship account been utilized?

Mr. ALLEN. The small-business account has just been started, Congressman. It is effective in the second quarter, and the first go-down—we set up in the reserve 1 percent of the—no, one-half of 1 percent of all the consumer goods types of NPA divisions and one-quarter of 1 percent of all other NPA divisions material for this hardship account.

We have not yet had the requests from the companies themselves and therefore they have not been evaluated and I do not know how it will go.

My guess is that is not enough. Our recommendation is that reserve be strengthend a great deal.

There is some aluminum and copper that is going to be spread tomorrow and I am going to ask for a great deal to be put in this area and I think that Mr. Fowler supports that picture, judging from when I talked with him yesterday.

Mr. BURTON. You feel the plan requiring a small business to qualify for that accrual is too limiting?

Mr. ALLEN. Yes, I do, but there had to be a start.

Do not forget, when we first developed this thing, the material picture all across the board was much tighter than the present moment.

As the conditions of material supply begin to show softness then we should be taking counteracting actions by raising limits or making the compensating moves without taking off the controls, and one of them certainly is to bring this hardship business up to a more livable and more lenient place, as we go along; but not just to make it 2 percent across the board to Frigidaire and Kelvinator and John Jones and Bill Smith, but to where it will do the most good. That is the theory we have been working on.

Mr. BURTON. There has been a decided softening?

Mr. ALLEN. In some areas and only some and perhaps that may be exaggerated.

Mr. BURTON. Is that not general?

Mr. ALLEN. I would not say it was; no, sir.

Mr. BURTON. From the best information we could get, it applies to most commodities, and I am wondering whether steel was not following the same pattern.

Mr. ALLEN. Well, I sit, as you know, on the DPA Requirements Committee and on the DPA Program Adjustment Committee and they have quite a staff.

Now, the lowest requirement is 150 percent of the known supply.

Now, you have got a break on it because the allocations are so low and the minute you open that up a little bit, you will not have any appearance of it, except in some isolated cases first. Second, I think the NPA divisions have done a swell job in their attempt to build up warehouse stocks. Now, whether they are going to do a swell job getting it to the consuming people or not, I would not be able to say.

But, about building up all three—copper, aluminum, and steel—the aluminum actually is about 60 percent of normal by weight, but they did not want anybody to be walking in and saying, "There is a lot of aluminum here," when in truth it may be 2 or 3 percent—and by weight I think the aluminum is 60 percent of normal.

I think some certain items because of the 60 percent or 70 percent put on the automobile business, that there has been some build-up

and my guess is that some of that build-up was illegitimate, too, because of bad inventory in the beginning.

I think you will find the flats are pretty full, I am pretty sure, in most areas where it was investigated, and I think this price cut in January is an isolated case.

Mr. BURTON. It apparently is not confined to January but it is rather general. We have indications of a decided easing of the situation.

Mr. ALLEN. On the flats, yes; and I think that is where it is, in the flats.

You cannot cut automobiles 1,500,000 to 900,000 without having available facilities and without disturbing going rates. Inventories that were not used up in that area are soft, no question about that, but you cannot correct it by letting the automobile people use it because then they have got to have copper and aluminum. You have got to have a balance of the whole thing or it will fall apart.

Then, where you have got to protect the defense program, which now begins to be some kind of a feasible use program—and by the same token they are turning back some copper and aluminum and that is being fed back to an availability of materials, which gives a more realistic picture in the handling of the material in the other divisions.

Now, the steel division does not handle that. The DPA gives that to the other divisions. The steel people make it and they try to balance their rolling-mill schedules by the information given them by the Atomic Energy and everybody else, but the steel people are the producing people and not the allocating people.

We have got to integrate all of those things and it is a major and complicated set-up.

Now, I say it is softening, and if it is softening, then it is softening in spots and the method, in my opinion, that should be used is to have the machinery to strengthen those spots when they are identified and give the benefit to the place it was taken from in the first place, which is the small-business area and the consumer-durable-goods area.

So,when you find out that your programs are leveling and you have got so much to put back, then put it back in that area where it was taken from in the first place, and then I think it is going to do some good to the program, more good than anything I can think of.

Mr. BURTON. Coming back to the small-business hardship accounts, do you feel that the SDPA has been given sufficient voice?

Mr. ALLEN. Well, the SDPA originated the hardship account as a feasible method of breaking a mathematical allocation and product code of 30-percent base period to Frigidaire and to Kelvinator and to John Jones, and so forth. We originated it.

Now, there is no way of gaging, without having some experience, what tonnage is involved. We took an arbitrary figure in order to get it started.

It started this quarter. We have no figures on it, except Mr. Fowler stated yesterday with the additional material, it will be channeled in there to make sure that the small-business hardship account is protected and that it was hoped that 100 percent of the legitimate demand would be protected—but the reserve on that basis, in my opinion, was not enough, but at least it was a start.

Mr. BURTON. In your statement, I believe, you recommend that the bands of essentiality for civilian production be eliminated.

Mr. ALLEN. Yes. The position we are taking is that it is just as important for them to make jewelry items in Providence and North Attleboro where there are people working and paying rent and buying things as for the man making toasters in Sunbeam Electric Co. in Chicago.

So long as there are no civilian shortages in those items, it is important to maintain business segments wherever we can, whether it is Detroit or Birmingham, Ala., or some other town, such as some small town in Kentucky where we heard a problem the other day.

In other words, we do not think that jewelry should be administered at 10 percent or 15 percent and toasters at 30 percent, as long as there is no identifiable shortage of civilian goods.

Now, there are some few items that are appearing and the Office of Civilian Requirements is pointing out that need watching and those may have to have a higher going rate than something else because of the consuming public's demand of the item. But, across the board it has not occurred yet.

Mr. BURTON. Some products have been classified as more essential than others.

Mr. ALLEN. Yes, sir.

Mr. BURTON. Do you feel that that has been realistically applied?

Mr. ALLEN. Well, sir, for me to answer that, you would have to tell me, realistic from what standard?

Now, there is no question in my mind that a bed is more important than a venetian blind. Now, if you have got both of them—I don't know. I mean, I cannot tell you that.

Mr. BURTON. But from your point of view it would seem that those determinations have been fairly made, in your judgment?

Mr. ALLEN. Oh, I would say that on the whole NPA has done a very, very good job, with a very complicated set-up.

Now, there has been more emphasis on defense and defense supporting than probably is necessary, because they wanted to be sure that we did not handicap the program.

We are afraid to cut, because maybe it was too deep, and therefore the places that carried the load were down in the civilian and small-business group, and then to make that fairly feasible, they made that into bands like venetian blinds and so forth at 10 percent of their copper or aluminum, something of that kind.

Well, it is shaking out now, and we get one band of essentiality, and that can be supported, unless you have a certified shortage of refrigerators or a shortage of bicycles or something—and there is not any at the present moment.

Mr. BURTON. You say there is not any at the present moment?

Mr. ALLEN. No, no apparent shortages of those things; not an urgent shortage.

Mr. BURTON. Consumer goods are in ample supply in almost all fields, then?

Mr. ALLEN. There are a half a dozen items. I think the office of Civilian Requirements Committee is studying it, and they are in intimate contact with it and they feel those need attention, but there are half a dozen or maybe 10 at the outside of them.

Mr. BURTON. Do you have a question, Mr. Evins?

Mr. EVINS. Mr. Chairman, I think I will ask Mr. Allen a few questions.

Mr. Allen, what do you conceive to be your duty in your job with Small Defense Plants Administration?

Mr. ALLEN. The biggest, I think the most responsible part of my duty is to protect basic allocation programs that are being developed by NPA and protect the orders being written for those so as to protect small business.

Mr. EVINS. Your official title, I think, is Acting Director, Office of Materials.

Mr. ALLEN. Office of Materials—well, we have both Materials and Equipment.

Mr. EVINS. Do you conceive your duty is to protect allocations of NPA?

Mr. ALLEN. That is right, in the interest of small business.

Mr. EVINS. Did you formerly work with NPA?

Mr. ALLEN. Yes, sir.

Mr. EVINS. And you came over to the Small Defense Plants Administration and you are carrying on the doctrine of protecting their orders, is that right?

Mr. ALLEN. I am protecting the SDPA participation in the program.

Mr. EVINS. Well, you just said that you conceived it as your duty to protect their allocations and their orders——

Mr. ALLEN. Then you misunderstood, sir, the statement that I made.

My duty is to protect the small defense plants and their people, which is small business, in the issuing of orders by NPA.

Mr. EVINS. Well, you make that statement later, but you did not say that originally.

Congress created the Small Defense Plants Administration last year and gave it a specific function and duty to do. From the testimony that I have heard it seems to me that you are being strangled by regulations and I just wonder if this new agency which we created and which we thought would have some flexibility and some free hand is going to be strangled by regulations.

Are you going to follow the regulations and hold them up and support them, or are you going to be a special pleader for the cause of small business in this country?

Mr. ALLEN. Well, I make some recommendations in my statement. One is that we be given the administration of the reserve to be used in hardships—to us rather than to the NPA. That is No. 1.

Mr. EVINS. So you think that the Small Defense Plants Administration is being strangled by regulations?

Mr. ALLEN. Small Defense Plants, first, is strangled by the orders, by the law itself. That is the basic problem. We have no standing as a claimant, no standing as an allocator of material, and if you will read the language as far as material is concerned, it is our duty to consult with the agencies that are handling it in the development of the policies and the allocation programs and see that small business gets an equitable share. So, we have a consulting function, by law.

Mr. EVINS. Do you feel small business is getting their equitable share, after a year's administration?

Mr. ALLEN. No, sir.

Mr. EVINS. You seem to be making a plea for the continuation of the Controlled Materials Plan.

Mr. ALLEN. Yes, sir.

Mr. EVINS. Do you think that plan ultimately or evenutally—that under it small business will be able to get its equitable share?

Mr. ALLEN. Yes; because we have already seen improvement in the area since we moved into the picture. There has been a continuous improvement in that area.

Now, another thing: I think it would be very, very, very foolhardy to change, in any kind of an allocation program in a dual set-up between NPA and any other agency, that you would have more chaos.

I think the arrangement you have set up now is good, and I make the point, however, in caps in my statement that CMP is just as good as it is administered, as it is handled, and that the CMP will protect small business if properly handled—and this is probably the best way to handle it.

Mr. EVINS. The point I am trying to make is that it seems to me that an employee of the Small Defense Plants Administration should be, in a measure, a special pleader, a fighter for these hardship cases, endeavoring to put on some service and assistance, rather than entangling the problems further with regulations and supporting the regulations which do not have the force and effect of law. If you are just going to continue to go around and around in a merry-go-round, we are not going to get the job done.

Mr. ALLEN. Well, I cannot quite understand the comment. We sit on every Requirement Committee that there is in the NPA. That is the place where they build up the requirements and that is the place where they ask for the allotments in DPA.

We also sit on the DPA set-up, in the DPA Requirements Committee, where they split the material around. We sit on those, when they split the material to the individual code. That is, the handling of the material.

Now, secondly—incidentally, we sit in on the committee that clears orders. An order that was killed this morning, we objected to it as putting a restriction on the use of steel strapping in small business and that order was rescinded this morning. Is that not right, Mr. Ducy?

Mr. DUCY. The IAC met and approved its revocation this morning.

Mr. EVINS. What percentage of the applications in hardship cases has been satisfactorily adjusted through the efforts of the Small Defense Plants Administration thus far?

Mr. ALLEN. I would say that of the ones referred to us, that we have made direct contact with NPA operating divisions—I would say that probably 90 percent of them were given at least some measure of relief.

Of those that were sent to the Office of Small Business, there are several of them, I do not know exactly how many, but several still pending with no action, where we can do it usually in the same day by direct contact.

Mr. EVINS. That is a good record, if 90 percent of your requests have been satisfactorily adjusted. That is a good record. What success do you have in eliminating this essentiality determination?

Mr. ALLEN. That, I think, with easing and softening of the matetial situation—I think that the NPA will come around to that same program.

I think that the second quarter will not have quite the one-band business, but I think it is coming toward it. It is closer at the present

moment, and I think that the 30, 25, and 10 percent in allotments are now 25 and 35 percent in allotments. So, it is coming toward it.

Mr. EVINS. Well, I like the latter part of your testimony, in which on problems of small business you are a special pleader and helper in hardship cases and in eliminating essentiality bands, but I do not think, if I might be permitted to offer a suggestion, that you should support entangling alliances with the regulations and plead for continuation of DPA and NPA and the Controlled Materials Plan.

Mr. ALLEN. Well, I say that as long as those programs operate, I want an official place at the table when they discuss these problems. I do not want to sit in the hallway and raise my hands and say, "Please do not forget small business."

I say that there should be no abridgement of our right to sit at the table where they are dividing up the materials. That is the answer I make, we want a place at the table where they are dividing it up.

Now, if you want to know what is the DPA Requirements Committee, Dean Bowman represents 30 divisions of the NPA operating groups at that table, and he represents the Office of Small Business.

Now, how in the world can 1 man talk for 30 operating divisions plus 5 production divisions and then small business too? The only representation as such of small business has been Mr. Taylor and Roger Allen.

Mr. EVINS. Well, that is just the point. I am trying to get your position now——

Mr. ALLEN. That is the point I am making, that there should be no change in that position. We are there now, and we do not think anything can affect the official relationship; and then the other part is that we want direct contact wherever we have to go in there, and not through a door.

Mr. EVINS. That is all.

Mr. BURTON. Mr. Dalmas?

Mr. DALMAS. Just one or two questions.

Following up Mr. Evins' questions, about your support of the Controlled Materials Plan, I would like to get that clarified a little bit.

Is it your position—I am not trying to put words in your mouth—is it your position that we have to have controls of certain of these basic commodities, and if that is so, then the Controlled Materials Plan is the best plan so far?

Mr. ALLEN. Yes, sir.

Mr. DALMAS. And you recommend continuance until such time as there is a balance of materials over the whole economy, for the defense and for the civilian area?

Mr. ALLEN. Can I put it in my own words?

Mr. DALMAS. Go ahead.

Mr. ALLEN. I recommend that CMP be maintained as the basic structure of control, but it must be made flexible enough to allow for changing conditions as they can be identified, and I do not see a priority system with everybody in a scramble.

Mr. DALMAS. You are not in favor of continuation indefinitely?

Mr. ALLEN. No. I think there was a little erroneous conception on chrome steel. The problem of chrome steel is not only a question of the capacity in chrome steel, but they had a very bad definition of stainless steel.

In other words, they lumped oranges and apples into fruit salad and got into trouble, because the nickel stainless steel is the one thing that had to be controlled, and not the chrome, in the first place.

The result was that your ticket only said "stainless steel," and it was cashable for anything in the stainless-steel area; and when it was cashed it was cashed in the wrong area, and the other area did not get it; and, by the same token, it went out to durable consumer goods or to the people on a 50-percent or 40-percent basis, and therefore your metal market for the consumption items had to be curtailed artificially because of tying in the two groups of stainless steel together.

Now, there is not enough nickel to take care of the defense program, much less the rest of it, and that is what I mean when I say that the CMP program has to be properly administered and kept flexible to reflect changed conditions as they go along, and I think it is the best we have until we are over the hump, in my opinion; it is the best protection and I am only talking about small business, too.

Mr. BURTON. Would you care to mention dates when that is in prospect?

Mr. ALLEN. No, I would not mention dates, because I do not know enough about it, and I do not think anybody sitting in front of you knows enough.

Mr. RIEHLMAN. You do not seem as optimistic as the two gentlemen we had before the committee this morning.

Mr. ALLEN. No. I think in some areas—well, look at what happened. You give out tickets for carbon steel all over the country. Now, there is only an estimate as to how those tickets will come back. We do not know whether it will be sheet, structural, or rounds, or squares, or Z-bars, and so forth.

Now, the steel division has got a continuous job and they are doing a good job of matching the schedules to the order boards—but you do not know until the tickets get back.

Now, they set the rolling-mill schedules. In some of them you will have a backlog of 2 or 3 months and in others you will have open space. Then you have got to set up a method of using the identified open space, and whether it is temporary and spasmodic, for a period of a few days—they have got it in the flats, and they have already taken some action on it—they took action, by the way, without consultation with Small Defense Plants Administration, which is one of the things I am supporting in my statement—but, anyway, they did take action, and on the whole the action was good.

They channeled 10 percent——

Mr. BURTON. Is it your theory that the reason for this opening of the supply is that these flats that you speak of are in the hands of warehouses and there is a lack of tickets, rather than a production exceeding demands?

Mr. ALLEN. Lack of tickets, and the way it is, you issue more tickets and keep the pressure on the system and the pressure on the system is variable, and in some segments like in the flats, in the flat goods, they may have to issue more and more tickets from the 50- to the 70-percent level, and when it gets to 80 or 90 percent, they take that area out of CMP entirely, like they did with chrome stainless steel.

Well now, when I say to control—and I mean small business—if you do not, if you took the controls off, well, if you let the automobile people get all that they could get of the steel, it would not hurt too

much, but the minute you do that, the minute they go to 1,500,000 or 2,000,000, whatever it is, then they must have the copper and the aluminum.

Mr. BURTON. Well now, if we have the excess, do you think we should withhold the steel from them, although it can be spared?

Mr. ALLEN. Not if they can use it without copper or aluminum.

Mr. BURTON. Would that not leave something to their ingenuity?

Mr. ALLEN. They already have something. The allocation last quarter was to give them steel for 900,000 cars, and give them copper for 800,000 cars.

Mr. BURTON. So steel is no longer the limiting factor?

Mr. ALLEN. No. Now, I say this——

Mr. BURTON. But you subscribe to that?

Mr. ALLEN. Yes. That gets away from mathematical distribution. It puts the material where there is the most need for it, and I would rather see much stronger allocations of that material into that area from which they took it in the first place, which is your small business or consumer durable goods—it should be put back into that area from whence it came.

Mr. BURTON. Well now, if the movement of available material is limited by tickets, that is a rather serious situation.

Mr. ALLEN. Sure it is, but they are correcting it. It is not general, across the board. You have got some spots. You will find the same thing in aluminum. When you hear Mr. Lynch, I am sure he will tell you the same thing. You have got it in some of these areas, you have got all kinds of facilities, but if you have not got ingots to put behind them, then there is a facility or the availability of a lot of items that cannot be used if you do not have the ingots; and then there is the aluminum sheet and others available, not only what is on the market, but also because the Air Force have turned back 30,000,000 pounds of it, as I understand, according to the announcement this morning.

They have turned back 30,000,000 pounds. They probably could have turned back 50,000,000, but used 30,000,000, to make sure that they have got enough.

So, there is a softness. Our recommendation is that they push that into the area of consumer durable goods as far as possible, consistent with maintaining the defense program.

Mr. BURTON. Well now, we are planning to examine that next, so I expect we should move on and hear these other witnesses.

I want to thank you very much, Mr. Allen, for your testimony.

STATEMENT OF TIMOTHY A. LYNCH, DIRECTOR, ALUMINUM AND MAGNESIUM DIVISION, NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE; ACCOMPANIED BY JUSTIN FELDMAN, COUNSEL FOR THE ALUMINUM DIVISION, NATIONAL PRODUCTION AUTHORITY

Mr. BURTON. Mr. Lynch.

Mr. LYNCH. Mr. Chairman, I have a prepared statement that I would like to read.

Mr. BURTON. Very well.

Mr. LYNCH. I am Timothy A. Lynch, Director of the Aluminum and Magnesium Division, National Production Authority, Department of Commerce. I was Deputy Director of the Division from its formation until September 1, 1951, and have been Acting Director and Director since then.

I have been in the aluminum industry, in almost every phase of it, for 25 years until my retirement in August of 1948.

I appreciate very much the opportunity of appearing before your committee and to submit such information as you may desire with reference to the operation of the Aluminum and Magnesium Division.

This prepared statement is intended to cover the questions asked in your letter of February 25, 1952, however, I shall be pleased to attempt to answer any other questions you desire, or to submit whatever further data you request.

As to the first question in your letter referred to above:

"*What is the current aluminum supply situation?*" There is every indication that the present first quarter supply of 640 million pounds will increase to 740 million pounds by the fourth quarter of this year.

The total aluminum supply by quarters, including primary production, secondary, and all imports, is—

[Millions of pounds]

	Actual, 1951	Estimated, 1952
Aluminum supply first quarter	642	640
Aluminum supply second quarter	598	640
Aluminum supply third quarter	569	710
Aluminum supply fourth quarter	559	740

The decline in supply from the first quarter to the fourth quarter 1951 was due to reduced exports from Canada to the United States, strikes at reduction plants, and a shortage of hydroelectric power in the Northwest and South, and particularly to the reduction in scrap.

The estimated increase in supply in 1952 is due to production from the first phase of the new aluminum plant-expansion program, to loans of aluminum from the United Kingdom, and to improved hydroelectric power conditions in the Northwest.

Question No. 2 (a) What expansion of aluminum making facilities has occurred during the past year? (b) What expansion is anticipated for the present year? (c) Will the expansion goal be reached on schedule?

With your permission, I would like to defer this question, as it can be answered more fully by Mr. Samuel W. Anderson, Deputy Administrator for Aluminum, Office of Aluminum, DPA. I understand Mr. Anderson will appear before your committee on March 13, 1952. However, I would be pleased to comment if you have any particular questions.

Question No. 3. As you know, all third-quarter CMP orders were canceled on October 7 in an attempt to make CMP operations current. (a) Why have carry-overs developed since that time? (b) What steps are being taken to eliminate such carry-overs? (c) Have they had an adverse effect upon small business?

The effect of directive 7 to CMP Regulation 1 and directive 3 to order M–5, which was the cut-off, was, in fact, modified by directive action addressed to the aluminum producers, to enable shipment to be made of aluminum which was in production on October 7. The manufacturers of aluminum-controlled materials were told to make such shipments after October 7 and charge them against the consumers' fourth-quarter tickets. If the consumer did not have fourth-quarter tickets and the material was manufactured, it was to be shipped without tickets.

As a practical matter, this had to be done. Because, to hold up shipments of finished material would have quickly caused a block starting in the fabricator's shipping room and extending clear back into his mill. Where the cancellation of fourth-quarter tickets affected defense contracts, new tickets had to be issued for an equivalent amount of material. Also where real hardships were inflicted on small businesses by cancellations, justifiable applications for relief were allowed and additional tickets were issued accordingly. It follows that very little reduction in carry-over resulted from the directive.

The carry-over in the fourth quarter accumulated because total tickets were allotted in excess of the metal supply. More than that, the metal supply which we had expected for the fourth quarter of 1951, at the time the allotments were made, had been reduced considerably by the time the orders were to be filled. This situation was due principally to the shortage of scrap and to the loss of 13 million pounds of prime metal because of a strike at the Reynolds' Troutdale plant and to the additional loss of 18 million pounds at the new Kaiser Chalmette plant because of the late delivery of motors which delayed the anticipated production, with consequent late starting of the plant and again reduction in imports from Canada and reduction of scrap were contributing factors.

A complete elimination of carry-over is not practical or desirable because it could result in shut-downs at the fabricating mill by reason of the inability to plan production properly. At a recent meeting of the Industry Advisory Committee for Aluminum Prime Products, it was recommended that a carry-over of 150 million pounds be maintained. The committee considered such a carry-over to be of manageable proportion in relation to a third-quarter 1952 estimated metal supply of 710 million pounds.

The present carry-over is less than it was in the fourth quarter of 1951. This is attributable to a number of reasons. In the first place, attrition in the fourth quarter was 8 percent. In the first quarter it is estimated that the attrition figure will be somewhat more than in the fourth quarter.

Secondly, an additional supply of metal resulted from the loan of 55 million pounds negotiated with the United Kingdom.

Thirdly, there was a diversion from and withdrawal of stockpile aluminum during the first quarter.

And, finally, the return of tickets by the military amounting to approximately 33,000,000 pounds so far.

The carry-over has had no adverse effect on small business because ACM orders accepted by the fabricating mills are good at all times.

Question No. 4. Has the Aluminum Division been able to render effective assistance to small-business men in placing CMP tickets?

Yes; every request, whether it be for small or large businesses, made on us for assistance in the placement of tickets has been taken care of. The Aluminum and Magnesium Division of NPA will upon request arrange for the placement of all ACM orders if the holder is unable to find a home for his ticket. The attached press release and Order M–5 (amended January 23, 1952) have resulted in very few applications for aid to date (exhibit 5 in the appendix). Only 47 have been received since that time. These involved only an estimated 1 million pounds.

Question No. 5. Do you believe that any aluminum products can be decontrolled at the present time?

No; we believe it would be desirable first to create greater flexibility and to relax restrictive orders on a selective basis as more aluminum becomes available. One example of the flexibility we have in mind is the immediate issuance by DPA and NPA to the various civilian claimant agencies additional tickets amounting to approximately 30 million pounds of aluminum.

The method of allotting this material is now being determined and I feel sure that DPA will take into account the position of manufacturers of aluminum products who heretofore have received lower level allotments. Military requirements for aluminum have merely been leveled off from scheduled needs. They are in fact higher than they were in the fourth quarter.

Military procurement in the second quarter will take approximately 45 percent of total aluminum production, not to mention the quantity required for defense supporting needs in order to facilitate military production (i. e., additional power transmission facilities, transportation equipment, electronic equipment). To decontrol aluminum products now would force the military to compete for aluminum with manufacturers of less essential items, and might well frustrate the basic purposes of the Defense Production Act.

Instead of decontrol, we believe that, after military and defense supporting requirements are covered, civilian allotments should be increased to take care of hardship cases, small business, new business and to bring everyone up to an economic operating level. Until such time as supply and demand are in reasonable balance, companies with large purchasing power or other types of leverage, could acquire aluminum first—resulting in possible injury of small and new business. There is also the possibility that normal competitive positions could be destroyed. We believe that we should travel back over the road we came, profiting by experience, to prevent disruptions and the inequities that sudden decontrol will bring about.

There is nobody in the policy level of the Aluminum and Magnesium Division who isn't wholeheartedly for taking off controls, for decontrolling everything as fast as possible—as soon as it can be done safely. I have added that to my prepared statement.

Mr. BURTON. Thank you very much.

I suppose we had better hear Mr. Andrews' statement next before we start questioning you men.

STATEMENT OF PAUL B. ANDREWS, DEPUTY DIRECTOR, COPPER DIVISION, NATIONAL PRODUCTION AUTHORITY; ACCOMPANIED BY JOSEPH F. MILLER, COUNSEL FOR THE COPPER DIVISION, NATIONAL PRODUCTION AUTHORITY

Mr. ANDREWS. My name is Paul B. Andrews, Deputy Director of the Copper Division, National Production Authority, Department of Commerce. In the absence of Mr. F. H. Hayes, the Director of the Division who is on sick leave, I am serving as Acting Director of the Division.

I have been in the copper and brass business since 1924 and have been with the NPA for more than a year.

Through my statement and the attached exhibits, I hope to describe the operations of the Copper Division of NPA and cover the specific questions raised in the committee's letter of February 25, 1952.

THE COPPER INDUSTRY

In considering the copper industry under the Controlled Materials Plan, it is desired first to point out the various horizontal strata of the industry and the manner in which controls have been set up to regulate it. All of these controls are directed at the industry on a horizontal basis, even though some companies within the industry operate on a vertical basis.

Under the Controlled Materials Plan the nine forms of copper-controlled materials originate with fabricators, such as brass mills, wire mills, and foundries. These are known as producers of controlled materials and are not to be confused with the producers of copper.

The controlled material producers are dependent upon several sources for their supply of metals. These sources are producers of refined copper, scrap, and producers of other materials.

There are only 11 producers of refined copper who regularly offer for domestic sale copper refined from domestic and foreign ores.

The authority for mine production lies in the Defense Materials Procurement Agency. Therefore, questions relating to domestic mine production, the procurement of foreign ores and concentrates, and other matters dealing with primary production should be more properly addressed to DMPA. The authority for the distribution of copper by NPA starts with refined copper.

Scrap is a very important part of our metal supply, not only because it contains copper but also for its content of other essential metals, such as zinc, tin, and lead. Copper-controllled materials producers are dependent upon customer-generated scrap and scrap sent in by dealers throughout the United States. Beyond that, custom smelters and refiners are dependent upon refinery grades of scrap for their continued production of refined copper.

For the production of brasses, bronzes, and certain other alloys the copper-controlled material producers are dependent upon the supply of other metals such as tin, lead, zinc, nickel, aluminum, silicon, cadmium, and so forth. Since the supply of any one of these alloying

constituents may affect the production of copper-controlled materials, it is necessary for the Copper Division of NPA to coordinate its work with the other nonferrous metal divisions.

The producers of copper-controlled materials divide themselves into three separate and distinct types of industries producing totally different products as follows:

Brass mills	95
Wire mills	170
Foundries	1,902

All warehouses that handle copper-controlled materials are regarded as an integral part of the industry. We, therefore, have brass-mill warehouses and wire-mill warehouses operating as wholesalers throughout the United States.

ORGANIZATION OF THE COPPER DIVISION

Attached hereto is a chart detailing the organization of the Copper Division of NPA (exhibit 6 in the appendix). It will be noted that this Division contains five branches, three of which are controlled-materials branches and the other two branches are service branches devoted to the assistance of the three controlled-materials branches.

The controlled-materials branches receive allocation of raw materials. They, in turn, allocate to the individual controlled-materials producers and otherwise regulate the operation of their respective industries under the policies that are laid down by the agency.

The Copper Raw Materials Branch ascertains the amount of copper raw materials available for the three operating branches. This takes into account refined copper and copper and copper base alloy scrap.

The Program and Requirements Branch cooperates closely with DPA in determining the requirements load, compiles all statistics and reports and supervises the issuance of orders and regulations pertaining to the Copper Division.

We are also attaching a list of our various industry advisory committees (exhibit 7 in the appendix). At all times we keep a proportionate number of small firms represented on our industry advisory committees, even when rotating the membership.

OPERATIONS OF THE COPPER DIVISION

Periods of national emergency, such as occurred in World War I, World War II, and the current mobilization program have precipitated an excessive demand for copper products. The demand for copper is not only for munitions but also for copper going to the direct support of a defense effort in the form of plant expansions, power and communications expansion, and foreign aid. For the reason that copper products go into practically every industry and utility of the country, these products were selected as controlled materials during World War II and again in 1951.

The principal limiting factor on the operations of the copper-controlled materials producers has been the shortage of copper raw materials. Also, as I have already described, these producers are dependent on the supplies of tin, lead, zinc, nickel, and other alloying constituents for their production. You will recall that these other metals were in scarce supply last year and some of them are critically short

at the present time. The shortage of alloying constituents has had a serious effect on the supply of certain copper products. For example, because of the continued shortage of nickel, we are substantially behind in our deliveries of cupro-nickel condenser tubes and plates, although we are not behind in our deliveries of copper to the nickel companies for the manufacture of synthetic monel metal.

Since the limiting factor in our operations has been raw materials, it is natural that a great part of the work of the Copper Division has been devoted to the problem of allocating refined copper and copper and copper base alloy scrap. I would like to describe briefly our policies and procedures in the allocation of these materials.

ALLOCATIONS

We have developed NPA Order M–16 which covers the distribution of raw materials. I am attaching a copy of this document (exhibit 8 in the appendix). It became effective on August 1, 1951, and since that date we have assumed the responsibility for full distribution of refined copper and scrap.

I would like to point out that prior to the effective date of this order our figures showed a substantial dislocation of available supplies of raw materials due to competitive practices. For example, we found several large consumers who by their ability to purchase were obtaining refined copper directly from the copper companies and having it fabricated on a toll basis for their own consumption. Others were purchasing large amounts of scrap which in turn they were having either refined or fabricated into products for their own use. These practices, while perfectly legal at the time, were rapidly depriving many businesses, both large and small, of their customary supplies of materials. It was to rectify this condition, among others, that Order M–16 was issued. Under this order no person can receive refined copper without an allocation certificate from the Copper Division. No person may receive scrap, except a refiner or scrap dealer, without an allocation certificate from NPA. By this means, we have been able to regulate the flow of both refined copper and scrap since August 1, 1951.

One of our great concerns was to effect an equitable distribution of refined copper to the industries that we are called upon to serve. It was necessary to start with meager and sometimes unreliable statistical information, but as our reports came in each month, we have been able to develop and improve our allocation system with each new monthly distribution.

We are called upon to allocate refined copper into the following consuming areas: exports, non-CMP uses, brass mills, copper wire mills, foundries, and ingot makers.

Prior to our allocation procedures, there was being exported approximately 12,000 tons of refined copper per month from our domestic supply. With the cooperation of DPA and OIT, as well as the State Department, these exports have been reduced to 4,000 tons per month which, in my judgment, is close to the minimum.

It is necessary for us to allocate substantial amounts of copper for the alloying of other metals, such as aluminum, synthetic monel and steel, and for use in chemicals and the production of bimetals, such as the laminated steel used for bullet jackets and other purposes.

We allocate to brass mills for the production of controlled materials in sheet, rod, and tube form.

We allocate to copper wire mills for the production of electrical wire and cable.

We allocate to foundries for the production of castings.

We allocate to ingot makers for the production of composition ingot which is in turn used as a raw material for foundry products.

In only one of the foregoing areas have we given priority allocation of refined copper and that is for the alloying of other metals. All of the other users to whom we allocate have been called upon to share our poverty of refined copper and scrap from month to month.

To equitably distribute refined copper to the controlled-materials producers, we have taken the program determinations as set up by DPA which call for certain total amounts of brass-mill products, wire-mill products, and foundry products. The refined copper is then divided among these three classes of controlled materials in direct proportion to the use of refined copper in these controlled materials. The effectiveness of this type of distribution is borne out by the relative approximately equal ability of these controlled-materials producers to meet the demand load of authorized controlled-materials orders that have been placed upon them.

After allocations of refined copper are made to the three industry branches, they in turn allocate this metal to the individual brass mills, wire mills, and foundries.

SCRAP

Scrap allocations are made in a similar fashion but due to the fact that its usage differs both physically and proportionately from refined copper, it is allocated to those industries and individual companies according to the types and grades that they use.

As I have indicated previously, scrap intake is never static but moves upward and downward according to market conditions and the production of mills and foundries. Consequently, the exact amount of scrap can never be predicted but some approximations can be made by those who are familiar with the market.

Contrary to popular belief, scrap never completely dries up nor is it ever completely dumped on the market. The short and long positions that do develop within any year have a marked effect upon copper controlled materials producers, yet in almost any given year the total scrap intake tends to balance out. For example, we had an acute scrap shortage early last fall which is now being offset by heavy scrap intake. We expect scrap to reach its peak during the second quarter, 1952, and naturally it should slough off after that.

There is one exception among the beneficiaries of the scrap cycle and that is the custom smelter and refiner. Refinery grades of scrap do not flow to the refiner until other scrap markets are satisfied. Consequently, during prolonged shortages, the custom smelter and refiner is starved for raw materials.

To offset this condition, the Copper Division has been reducing the allocations of scrap in other areas in order to force a residual amount of refinery grades of scrap to the custom smelters. We are just beginning to see the effects of this policy and are able to forecast an increase of refined copper from custom smelters in our estimates of future supply.

Much has been said from time to time with respect to military scrap. I would like to state at this juncture that we have had excellent cooperation from the Munitions Board and the armed services in developing scrap programs that will supply us with more raw materials. The one difficulty that we have experienced is that some of the military services have not been able to get the trained manpower to work out the numerous details for the prompt handling and disposition of the scrap. I do know, however, that they are working diligently on the problem and believe that we will get more scrap from that quarter in the future. The armed services have been particularly diligent in making available fired cartridge cases for conversion in new ammunition.

CURRENT SITUATION

At this point I would like to address myself to specific answers to those questions raised in the committee's letter of February 25, 1952.

Question 1. What is the current copper supply situation?

The supply of refined copper for the first 3 months of 1952 has been critically short. In the attached table showing carry-over into the second quarter of 1952, you will note that it is estimated that it would take 56,000 short tons of additional refined copper to fill all CMP orders by the end of March. Therefore, we are compelled to use some refined copper that will be allocated for April to produce orders carried over from the first quarter of 1952. On the other hand, scrap has been flowing in increasing amounts, making the situation much easier for those brass-mill and foundry products that are made predonderantly from scrap.

Estimated deliveries, actual and scheduled,[1] first quarter 1952

[Millions of pounds, metal weight]

Type of product	Months			Total	Estimated actual deliveries
	January (actual)	February (scheduled)	March (scheduled)		
Brass mill	244	271	231	[2] 746	654
Wire mill	120	131	146	[3] 397	330

Estimated carry-over, end of first quarter

[Thousands of short tons, copper content]

Type of product	Millions of pounds metal weight	Percent	Total	Refined copper	Scrap	Number of weeks carry-over
Brass mill	92	14	36	22	14	1.8
Wire mill	67	22	34	34	----	2.9
Total	159	----	70	56	14	----

[1] Includes all ACM orders accepted and scheduled for delivery in fourth quarter 1951 and first quarter 1952, which has not been filled as of Jan. 31, 1952.
[2] Based on 78 companies representing 90 percent of industry.
[3] Based on 142 companies representing 90 percent of industry.

Source: National Production Authority, Metals and Minerals Bureau, Copper Division. February 20, 1952.

We estimate that during the second quarter we will have some increase in the supply of refined copper over the first quarter, and at the same time reach a peak in scrap intake. During the third quarter we expect to realize more refined copper from refinery grades of scrap that have been taken in during the second quarter. However, as indicated before, we anticipate a decrease in the general scrap supply during the third quarter of 1952.

We are quite familiar with many current statements that copper is apparently in free supply because many of the mills and foundries have been looking for business and can make prompt deliveries. This seeming paradox in a tight situation is due to several factors:

1. It must be remembered that it is the policy of NPA to see that all CMP tickets are cashed. This policy has had the effect of reducing not only the requests for assistance but also the actual requirement load for copper. In other words, when the consumer feels certain that he is going to receive his CMP materials, he is much more realistic in placing his orders and in the delivery dates requested on such orders.

2. It also should be remembered that all of the second-quarter allotments have not yet had a chance to reach mill and foundry levels.

3. We instructed the mills to take a 22-percent overload in the first quarter of 1952 in an attempt to insure the cashing of all CMP tickets. This instruction did not go out until the last week in January, after most of the order boards were filled. Naturally, in looking for the additional 22 percent of authorized controlled-materials orders, many mills were actually in the position of soliciting business. This has created a misunderstanding on the part of consumers.

4. There apparently has been a recession in some lines of goods. This has resulted in some purchasers of copper controlled materials reducing their commitments.

On the other hand, the demand for copper products by many other consumers is heavy. It is believed that a partial redistribution of allotments of alloyed products in the second quarter will correct this seeming paradoxical situation.

Question 2. As you know, all third-quarter CMP orders were canceled on October 7 in an attempt to make CMP operations current. Why have carry-overs developed since that time? What steps are being taken to eliminate such carry-overs? Have they had an adverse effect upon small business?

Carry-overs of orders for copper controlled materials during the fourth quarter of 1951 developed mainly because of a shortage in scrap, and to some degree a shortage of refined copper. The actual carry-over into the first quarter of 1952 was not too serious among most copper controlled-materials producers.

The carry-over of first quarter ACM orders into the second quarter of 1952 is due entirely to the shortage of refined copper. As I have previously stated, the scrap situation has improved and it is believed that we can successfully meet demands with a carry-over of about 3 weeks.

Steps to prevent excessive carry-overs will be taken by Defense Production Administration through redistribution of some allotments in the second quarter.

As to whether carry-overs have adversely affected small business, the experience of our division would indicate quite the contrary.

In the first place, requests for assistance have come almost entirely from large businesses. The requests which we have received have been based primarily on the special nature of the items involved. The difficulty in placing orders has resulted from unusual specifications and from the fact that the items involved were small profit items and, therefore, unattractive to producers. These are for the most part special items required by large businesses, because small-business concerns normally purchase standard items. Furthermore, in the first quarter of 1952 the copper controlled-materials producers have been able to improve upon their shipments to warehousing distributors throughout the United States who normally take care of smaller business enterprises. In this connection, I would like to call your attention to our warehouse orders M–82 and M–86, which we regard as being two of the most effective regulations that have been in force (exhibits 9 and 10 in the appendix).

Under NPA Orders M–82 and M–86 we have been able to increase the flow of brass-mill products and wire-mill products to wholesalers of these items. We have had virtually no complaints in this area. Many of these wholesalers constitute small-business enterprises in themselves, and all of them serve the small manufacturers and contractors with copper controlled materials.

In this connection I wish to add that many wholesalers have told us that they have already reached their inventory limits of copper controlled materials. We regard this as a healthy condition and one that we have been trying to bring about. It should guarantee deliveries in the future of copper controlled materials to small consumers.

Question 3. Has the Copper Division been able to render effective assistance to small-business men in placing CMP tickets?

The Copper Division is proud of its record in furnishing assistance to both small and large business in cashing CMP tickets. This has been one of our major concerns in each of our three branches. I do not recall any instance where we have been unable to render such assistance when the case was clearly presented, and we were given a reasonable length of time to crack whatever bottlenecks were involved. Every letter, telegram, and personal visit by those seeking assistance has had prompt and effective treatment. Currently, we have virtually no requests on hand from small business.

Question 4. What effect have price controls had upon the copper supply?

The present ceiling price for copper refined from domestic ores and concentrates is 24½ cents. The ceiling price for copper refined from foreign ores and concentrates, principally from Chile, is 27½ cents.

From the start of Korean hostilities, the world-wide demand for copper rose sharply, and since there were no world-wide price ceilings the foreign market rapidly rose to 55 cents per pound, where it remained until recently. At the same time, copper scrap commanded a higher price abroad than in this country.

Naturally, with ceiling prices on copper, we did not attract as much foreign copper into this country as was previously supplied. Also, our importations of foreign scrap were reduced to insignificant levels.

You will note from the following chart that while domestic production of refined copper increased in 1951 over 1950, the production of refined copper from foreign ores decreased substantially. The only ways that this could have been avoided would have been to pay the

full asking price in the world market, in which case I do not think that the price would have remained long at 55 cents but would have gone even higher.

Supply of refined copper

[Short tons, copper content]

Year and quarter	Total refined copper	Production of refined copper [1]			Imports of refined copper
		Domestic	Foreign	Scrap	
1946	1,138,605	578,429	300,233	105,572	154,371
1947	1,578,537	909,213	250,757	269,085	149,482
1948	1,601,946	860,022	247,424	245,376	249,124
1949	1,416,130	695,015	232,912	212,392	275,811
1950	1,746,630	920,748	319,086	189,746	317,050
1951	1,580,007	951,559	255,429	135,023	237,996
First quarter	421,306	246,046	81,554	38,555	55,241
Second quarter	431,017	258,125	67,936	45,718	59,238
Third quarter	328,381	189,554	54,613	28,692	55,522
Fourth quarter	399,213	257,834	51,326	22,058	67,995
1952: January [2]	140,911	80,372	18,609	9,170	32,760

[1] Primary and secondary copper produced by primary refineries.
[2] Estimated.

Source: Production data from official statistics of the U. S. Bureau of Mines; imports from official statistics of the Bureau of the Census.
National Production Authority, Metals and Minerals Bureau, Copper Division, Statistics and Reports Section, February 29, 1952.

Question 5. Would it be feasible for the United States to buy higher priced foreign copper for the stockpile and release it to domestic consumers at domestic price ceilings to maintain defense and essential civilian production?

At the moment, I would not recommend this, for the following reasons:

1. The entry of the United States Government or any group of consumers into the foreign market would undoubtedly strengthen the world copper prices which recently have softened.
2. All foreign copper supplies reaching this country for which we now pay 27½ cents would command higher prices. This includes copper contained in ores, concentrates, blister and refined copper from whatever foreign sources.
3. It would undoubtedly adversely affect the International Materials Conference allocation programs which have been most helpful.
4. It would create new upward pressures on the domestic copper price.

As you know, the price of foreign refined copper has been going down in recent weeks. It is evident that there has been some accumulation of foreign refined copper. If this trend continues, we will obtain additional imports. In spite of our shortage of refined copper, we do not recommend any change in our present policy, which has brought about such a sharp reduction in the price of foreign lead.

Question 6. Do you believe that any copper or brass products can be decontrolled at this time?

We believe in having controls only when they are essential to the national interest, and we want them removed at the earliest possible

moment. In fact, NPA has already removed or relaxed controls in many areas.

The requirements, however, for copper controlled materials that have been submitted by claimant agencies for both the second and third quarters of 1952 exceed our most optimistic supply estimates. The needs of the military and AEC consume a substantial part of the supply. Under these circumstances, we cannot conscientiously recommend any decontrol actions for copper controlled materials at this time. According to the order boards of our mills and foundries, we can use every pound of refined copper and copper-bearing scrap that we can possibly obtain.

I wish to point out that before decontrol actions are contemplated we should approach the problem in the following way: first, easing of existing restrictions on the use of copper for certain purposes; and, second, increasing the allotments for those industries that have been cut back. This will be possible when we obtain additional supplies of raw materials. We must remember that there has been built up a backlog of demand for copper products, notably in the building field.

In closing this statement, I would like to point out that the record shows that the copper industry as a whole has done a good job of meeting the demands that have been placed upon it. It has been a heavy contributor to the plant-expansion program for the prodcution of other metals. The aluminum and steel expansion programs could not possibly have reached their present peak were it not for the ability of the copper industry to furnish the bus bar and electrical wire and cable in tremendous quantities. Beyond that, we have been able to meet our direct defense load, on time, while providing materials for vastly expanded power, communications, and transportation systems.

It is expected that the supply of refined copper will show a gradual improvement for the balance of this year due to the excellent work that Defense Materials Procurement Agency is doing and the producers' intensified efforts in bringing in more production. In 1953 and 1954 the domestic supply situation should be greatly improved. I feel that the copper position of this country has reached bottom and is turning upward, and that in 1953 and 1954 the domestic supply situation should be greatly improved.

Mr. BURTON. Thank you very much, Mr. Andrews. You rather completely answered our questions, but we probably will find a few more.

I understand from your statement that you feel that we have turned the corner.

Mr. ANDREWS. Yes, sir.

Mr. BURTON. And there will be a gradual improvement in the copper situation from this time.

Mr. ANDREWS. That is correct, sir.

Mr. BURTON. In regard to the suggestion of the easing of restrictions, would you care to enlarge upon that in any way?

Mr. ANDREWS. Not until the CMP plan can be brought into balance.

You see, as long as the requirements that come in for permitted uses exceed the supply, which they do for the second and third quarters, I do not see how we could afford to ease the restrictions.

When that is brought into balance or nearly into balance, I think the restrictions can be eased, but I do not see how they can in this quarter.

Mr. BURTON. I take it that copper is in shorter supply than any of the more important metals?

Mr. ANDREWS. Of the three controlled metals, yes.

Mr. BURTON. Of the three.

Mr. ANDREWS. In relation to requirements, I think it is in shorter supply.

Mr. BURTON. And the aluminum situation is very much relieved?

Mr. LYNCH. Yes, sir. The figures that we have submitted here show that in the third quarter the production will increase another 70 million pounds, and from the military, that volume of metals put into the DPA requirements—they must split it amongst the civilians, and that should bring some substantial relief.

Mr. BURTON. Do you think that that will largely take care of the small business needs?

Mr. LYNCH. Well, I do not know what the small business needs are. I do not know anything about the requirements. That is handled by the Defense Production Administration's program and requirements committee.

We know what the determinations of that committee are, and we take care of the determinations when we receive their program, they are fulfilled 100 percent.

I do know the program, and small business is certainly fulfilled 100 percent.

Mr. BURTON. Mr. Evins, do you have any questions?

Mr. EVINS. I am sorry, Mr. Chairman, that I missed most of the testimony of both of these genelemen.

Now, I gather that they have reported a bright picture both for copper and aluminum; that the situation is looking up.

Mr. LYNCH. Yes, sir.

Mr. EVINS. What assistance have both of your agencies or divisions or branches given to the Small Defense Plants Administration by way of aiding small business in its problems? That is one of the things that this committee is largely concerned with; and the Small Defense Plants Administration was one of the agencies, new agencies, which was set up by Congress last year because of the many hardships and problems of small business.

Mr. LYNCH. Well, first of all, about a year ago we embarked upon a warehouse program. At that time the stocks of warehouses were practically depleted, the shelves were almost empty.

We did, by directives, put in ample stocks in some 126 warehouses across the country. The function of the warehouse is to bring spot assistance to the defense contractors and small buyers.

Those stocks are maintained in a very comfortable position. They are not bulging, they are not overstocked. I will say they are about 20 percent better off than a year ago, and about 100 percent better off than before we started in the warehouse program.

In addition to that, we have through our M–5 (exhibit 5 in the appendix) agreed to place on a mill for delivery any controlled-material order that could not find a home.

The fact that we have had a negligible response to the press release which was made in the latter part of January shows that small business

must be pretty well taken care of. In addition to that, we have a 5-percent free area in warehouses. They can sell up to 5 percent of their sales to small business without rating.

Mr. EVINS. I believe you testified that you have been in the aluminum business most of your adult life.

Mr. LYNCH. Yes, sir.

Mr. EVINS. We have had, some months back, many complaints by the little aluminum manufacturers and processors, that they were declared to be nonessential. Do you think most of them are getting their aluminum?

Mr. LYNCH. Well, we certainly do—in fact, we know they are.

Mr. EVINS. To a man who pays taxes and employs labor, his business is pretty essential to him, according to his definition.

Mr. LYNCH. Yes, sir, and we are taking care of them to the limit of our metal supply. Of course, it is not the policy of NPA to put anybody out of business.

Mr. EVINS. The aluminum plant in Tennessee of Alcoa is making a big contribution, is it not?

Mr. LYNCH. Yes, sir; all aluminum plants are.

Mr. EVINS. How much has capacity been increased during this emergency period?

Mr. LYNCH. I do not know what the increase by plants is, I did not bring that with me. But I do know the aluminum production by the end of this expansion program will be more than doubled, and that program should be completed sometime in the middle of 1953.

Mr. EVINS. The increased capacity, did it take place with aluminum as we were told this morning it took place with steel, by establishing additional facilities in new areas?

Mr. LYNCH. Well, in the aluminum area there are two things. In the first place, the old plants, where it was possible to extend them to improve the production that has been done mainly through expansion. Completely new facilities in new locations, because power is the limiting factor, we had to go where the power was——

Mr. EVINS. Well, we have abundant power in the Tennessee Valley, they are producing power there in great quantities. Has there been any increase in the aluminum capacity there?

Mr. LYNCH. We do not have any report of any great abundance of power in the Tennessee Valley area; but there are the shutdown plants that were not active, they have been brought into production with high cost power in that area.

Mr. EVINS. Well, I was just trying to determine if there had been any increased aluminum production in that area.

Mr. LYNCH. Plants that had not been active prior to Korea, prior to the Korean emergency, were reactivated in that area. I do not have the exact information for plants and how much they were increased—I have that at the office and will be glad to submit it.

Mr. EVINS. There were no new facilities established, as far as you know?

Mr. LYNCH. No, no new facilities in the Tennessee Valley area; reactivation and some extension of existing facilities.

(Supplementary information is as follows:)

DEFENSE PRODUCTION ADMINISTRATION,
OFFICE OF ADMINISTRATOR,
Washington 25, May 12, 1952.

Mr. VICTOR P. DALMAS,
Executive Director, House Small Business Committee,
Room 129, Old House Office Building, Washington 25, D. C.

DEAR MR. DALMAS: At the request of Miss Marsh I am confirming herewith some information conveyed to her over the telephone concerning production from aluminum plants in the Tennessee Valley area.

It is my understanding that your committee is interested in whether there has been any increase in capacity of plants in that area and, if so, what it amounted to; also whether any uneconomical facilities have been reactivated under subsidizing arrangements with the Government.

The situation in the Tennessee Valley is that Aluminum Company of America operates a reduction plant at Alcoa, Tenn., and Reynolds Metals Co. has one at Listerhill, Ala. Both of these operations obtain power from the Tennessee Valley Authority under contracts which provide that a certain portion of the power is firmly contracted for at a base price and that any additional power requirements will be supplied from so-called secondary sources when available. This additional secondary power is priced according to the source and cost of generation.

In the early part of 1951 both aluminum companies were advised by TVA that a certain portion of the secondary power which they had been receiving was no longer available from hydroelectric sources and would have to be supplied from steam-generating facilities at an increased price. Since aluminum was so critically short the Government advised the aluminum companies to continue their operations at the maximum rate. The companies agreed that at the market price for aluminum, they could not stand a cost for this secondary power in excess of 4 mills per kilowatt hour. The Government through the General Services Administration agreed to stand the excess cost of such secondary power above 4 mills.

There has been no expansion of facilities at these two plants. The total production at each is essentially the same as it was pre-Korea, except that at Alcoa certain modernizations of plant equipment have been made which increased efficiency and incidentally is expected to effect a small increase in production in 1952. At Listerhill, on the other hand, some operating difficulties resulted in a loss of production in the year 1951. The actual production figures are as follows:

	Tons
Alcoa, Tennessee:	
1950 production with normal power cost	146,000
1951 production with normal power cost	126,600
1951 production with high cost	20,200
Total production	146,800
1952 production with normal power cost (estimated)	146,400
1952 production with high cost	6,400
Total production	152,800
Listerhill, Alabama:	
1950 production with normal power cost	51,000
1951 production with normal power cost	28,100
1951 production with high cost	16,700
Total production	44,800
1952 production with normal power cost (estimated)	35,500
1952 production with high cost	15,100
Total production	50,600

I hope that the above is the information you desire. If there is any additional data that you would like, please do not hesitate to call upon us.

Sincerely yours,

H. L. HECKMANN,
Assistant to the Deputy Administrator for Aluminum.

Mr. EVINS. Mr. Lynch, the President has recommended that the Defense Production Act be extended for an additional 24 months. Do you think that is about right, or would you say 12 months or 36 months, 2 years or 6 months—what would be your view of it, in view of the situation?

Mr. LYNCH. Well, I certainly know from the figures before us that aluminum will not be in a comfortable position, and to protect small business, who will be the first casualty in open competitive struggling for aluminum—I think that would be something like in the middle of—well, no, the end of 1953 or early in 1954. That is speaking for aluminum alone.

Mr. EVINS. Small business has been suffering in the past, but now they are coming along and being fairly well supplied?

Mr. LYNCH. Yes, sir.

Mr. EVINS. And to disrupt this program at this time possibly would cause extreme hardship, in your opinion, to be brought about?

Mr. LYNCH. There would be extreme hardship brought about. I cover that in my statement, that if decontrol of aluminum happened now or suddenly, in anything like the next 12 or 15 or 18 months, it could be very disastrous; and I also point out that the military would have to compete in the jungle market with everybody else. It would hurt the military and it would hurt small business.

Mr. EVINS. No further questions.

Mr. BURTON. Mr. Riehlman?

Mr. RIEHLMAN. And that would be particularly true in the Copper Division, too, would it not?

Mr. ANDREWS. I think probably even more true, sir, except we have only seen the requirements for the next two quarters, and I have no idea of the requirements for the third quarter of 1953.

But, if they go at the present rate, our supply figures will not reach the requirements.

Mr. BURTON. Would you care to project that further than the two quarters?

Mr. ANDREWS. No, sir. I have no idea what the supply picture is. DPA has that informaton

Mr. RIEHLMAN. Well, we do have some additions to our stockpiles from time to time, to replace allocations of copper——

Mr. ANDREWS. Yes, sir.

Mr. RIEHLMAN. We are now building those stockpiles back, or are they being depleted?

Mr. ANDREWS. Very slightly they are being built back.

Mr. RIEHLMAN. In respect to the aluminum situation, Mr. Lynch, I was following the figures you gave us here with respect to what we are producing in this country, and imports to it. Do you have any figures on what our exports of aluminum have been?

Mr. LYNCH. No; but from memory I know that they are negligible, something like 2,500,000 pounds a quarter was going to OIT, and that was parceled out very meagerly in accordance with the foreign policy.

Mr. RIEHLMAN. Well, I am sure you are thoroughly aware of the fact that last year while this very same committee was holding hearings in certain sections of the country, many of the small users of aluminum were telling us from time to time there was an abundant

supply of foreign aluminum coming in, or supposedly foreign aluminum in the gray market that you could purchase, and that it was labeled "Produced in U. S. A."

Mr. LYNCH. I know of no such conditions as that existing at the present time.

The largest export of aluminum from this country which is labeled "aluminum"—it happens to be dross, which is the lowest type of scrap and it is shipped to Canada for reprocessing; but there is no substantial quantity of aluminum going out of the country.

Mr. RIEHLMAN. I noticed in the statement made by Mr. Andrews in respect to scrap, that in the armed services there was a lack of trained people, trained personnel in the military service—a lack of trained manpower, let us put it that way—to work out the numerous details for the prompt handling and disposition of scrap.

Now, I am perturbed about that. That is important. Of course, since we all know the importance of it at this time, it does seem that the military need it for the future defense program, and it does seem to me that if there is such a lack, something should be done immediately to correct that situation.

Mr. ANDREWS. They are working quite diligently.

Mr. RIEHLMAN. Could you give us some insight into the problem?

Mr. ANDREWS. Well, it is mostly locating contaminated grades of scrap. The great bulk of the scrap is put into our hands quickly, and we have no complaints, but the situation in the Navy and in the Army and in the Air Force, it is a matter of these odd amounts being declared obsolete, and they are turning them into scrap and giving us a report on it so we can recommend where they can dispose of that scrap——

Mr. RIEHLMAN. Well, do they not have men qualified for those positions anywhere in civilian life that we could loan to the military or furnish to them? I am perturbed about the situation.

Mr. ANDREWS. Well, they are getting them now, sir.

Mr. RIEHLMAN. They are?

Mr. ANDREWS. They are getting them organized, yes, sir.

Mr. RIEHLMAN. Well, your statement here is very recent, is it not?

Mr. ANDREWS. That is right.

Mr. RIEHLMAN. It was made today, and you say nothing about that.

Mr. ANDREWS. It is a program that is under way with us and as I said in there, they are working diligently on the program and they are locating personnel and getting the directives out to the different agencies and getting to implementing those directives so that the scrap will flow. It is a tremendous problem with the military.

Mr. RIEHLMAN. I should think it is.

Mr. ANDREWS. But, as I say, we are getting the bulk of that scrap. Of course, there is not as much as we want. We want all the scrap.

Mr. RIEHLMAN. Well, you should get it, if it is there.

Mr. ANDREWS. If it is there; and it should flow more promptly.

Mr. RIEHLMAN. That is exactly the point.

Mr. ANDREWS. Yes, sir.

Mr. BURTON. But, is it not flowing rather freely?

Mr. ANDREWS. The great tonnage of it is, sir, and it is quickly-identified scrap.

Mr. RIEHLMAN. Mr. Chairman, in asking the questions I understand that he made the statement that they did not have the qualified men in the military to handle the situation, and that is where a tremendous amount of the scrap is coming from; is it not?

Mr. ANDREWS. That is right.

Mr. RIEHLMAN. And I am questioning what could be done to remedy that.

Mr. EVINS. We had another manpower bill yesterday, which has not passed. [Laughter.]

Mr. RIEHLMAN. Off the record.

(Discussion off the record.)

Mr. RIEHLMAN. That is all at the moment.

Mr. BURTON. What is the international aluminum situation; is that easing comparably with the domestic or not?

Mr. LYNCH. The only international aluminum situation involving us very much is the Canadian situation, and through the loans that have been effected with the United Kingdom, that has helped considerably.

Mr. BURTON. Is there sufficient foreign production available for foreign needs, is there an easing on aluminum or not—for instance, with copper it is suggested that the international situation is easing.

Mr. ANDREWS. That is correct.

Mr. BURTON. Does that same apply to aluminum or not?

Mr. LYNCH. No, sir; there is a little available in Italy right now, but that is not expected to last very much longer, either. There is no easing in any other place. They are nations that require aluminum, rather than export it.

Mr. BURTON. How does our domestic production compare in volume with foreign production?

Mr. LYNCH. Of course, the United States is the largest producer in the world. Canada is next, and the balance of the production is scattered in Italy and England—it is very small.

Mr. BURTON. Canada then is supplying most of the international needs?

Mr. LYNCH. Yes, sir.

Mr. BURTON. What about the world market price of aluminum?

Mr. LYNCH. The Canadian price——

Mr. BURTON. I mean now, as compared, we will say, with a year ago.

Mr. LYNCH. The Canadian price is about the same. I am not familiar with world prices. I do know this: That the prices in England are considerably higher and the price in Italy, for instance, is 27 cents per pound compared to our 18½.

But, with the exception of Canada, every place else is substantially higher.

Mr. BURTON. Mr. Dalmas.

Mr. DALMAS. Mr. Lynch and Mr. Andrews both, I would like to ask you this question in connection with this apparent easing of supply.

How much effect has the so-called stretch-out of the military program had on this amiable situation at the moment?

Mr. LYNCH. Personally, in aluminum, I think the amiable situation is more in the headlines than in fact.

The military has given us back some 32 million pounds of aluminum—that is in our statement here—and the leveling off on the peak that had been scheduled to rise is probably going to be helpful in the future, especially as the new production comes in. But, aside from that, there is no leveling off that means anything.

Mr. ANDREWS. We have not seen any leveling off.

Mr. BURTON. Well, there is an easing, seemingly, or so we gathered from your testimony.

Mr. LYNCH. There is an easing—there is nothing in my testimony that provides for any easement. The Industry Requirements Committee did make recommendation that we issue more tickets and we have agreed to that program, not because we are completely sold on the matter, the need for it, but because we thought it was a good health insurance, so to speak, that we had against any work stoppage at the palnts. We would rather have tickets out and have the situation overallotted again to reassure the mill operators that they would have enough orders than to have them coming in with shutdown plants and hollering for business on short notice.

Mr. DALMAS. Mr. Chairman, Mr. Evins asked a question a moment ago. I am sure that Mr. Lynch in his answer did not intend to leave us with the impression that there had not been a very severe across-the-board cut in the use of aluminum by small business.

Mr. LYNCH. No. I want to make the distinction that when I speak about business, I speak about aluminum, I speak about the Aluminum and Magnesium Division business, and we have nothing to do with end products of that sort. That falls to other divisions. For instance, venetian blinds go to the Consumer Goods Division and windows, and so forth, to the Building Materials Division.

Mr. DALMAS. They build up the available supply and pass it on?

Mr. LYNCH. No. The Program Requirements Committee in the Defense Production Administration, they total up the supply, we give them the total aluminum metal available and then they allot that among the forty-odd claimant agencies.

It is the job of our Division to take the allotments they make and work with the divisions that get the allotments, and determine some way to distribute the material, just what the product distribution is going to be.

We know from experience and the nature of the industry, what materials such as ingots, extrusions and all down the line of materials will be needed. Now, then, we issue production authorizations on the manufacturers of controlled materials to produce that quantity within the quarter, so when a man comes around with a ticket, the production is there and ready. That is our job.

Mr. DALMAS. But the fact is, there has been a very severe cut-back of these civilian items which so far has not been alleviated.

Mr. LYNCH. Well, alleviation started some weeks ago——

Mr. DALMAS. Because of this 30 million pounds from the military——

Mr. LYNCH. No; before that, before the 30 million pounds. That 30 million pounds is being cut up right this afternoon. The meeting started at 2:30 in Mr. Bowman's office and I was scheduled to be there and I had to be here and I am glad to be here instead. I have got another man fighting for us over there.

Aside from the 30 million pounds that is being cut up right now, there were other increases made.

Mr. DALMAS. Is that going into civilian goods, the 30 million pounds?

Mr. LYNCH. Yes, sir, almost exclusively to civilian goods and the military turned it back and they are not taking any more in this quarter.

Mr. DALMAS. Maybe you can tell us how that is being cut up.

Mr. LYNCH. I cannot tell you. I know that it was recommended that some material go to the Building Materials Division and some to consumer durable goods, to the Container Division, to the Chemical Division, the Electronics Division, places of that sort and, because of the impact of the low allocations on the extrusion mills, for the sheet mills, the foil mills, the powder mills——

Mr. DALMAS. Did you recommend that any of that material go into roofing and siding?

Mr. LYNCH. That is Building Materials Division; yes, sir.

Mr. DALMAS. Building materials?

Mr. LYNCH. Windows, too.

Mr. DALMAS. You have taken care of the chicken brooder industry.

Mr. LYNCH. We are trying to——

Mr. DALMAS. The best you know how.

Mr. LYNCH. We are certainly trying to.

Mr. DALMAS. That is all. Thank you.

Mr. EVINS. Mr. Chairman, I think these gentlemen are to be commended for the bright and rosy picture that they have presented on the situation, what with the military turning it back and the stockpile being built up and small business getting a supply and with no complaints, 95 percent of them are satisfied, and there is good administration—it is a very favorable report.

Mr. LYNCH. Well, it is good, with a couple of corrections, sir. The stockpile of aluminum is not being built up at the present time. It is static. We are not adding, we are not putting in more right now——

Mr. EVINS. Do you gentlemen think the program ought to be extended two more years?

Mr. LYNCH. Well, the stockpile is in the process—and your 95-percent figure, we are taking care 100 percent; and the price is not softening.

Mr. EVINS. If the law is extended 2 years, the situation by that time ought to be in good condition?

Mr. LYNCH. Yes, sir, and I hope I can leave here long before then [Laughter.]

Mr. DALMAS. Mr. Chairman, I want to ask Mr. Lynch and Mr. Andrews about self-certification.

I believe at the present time 3,000 pounds of copper and 2,000 pounds of aluminum are permitted to be self-certified?

Mr. LYNCH. Yes, sir.

Mr. DALMAS. But, you have a little catch in it. It may not exceed the producers' average quarterly use during the year 1950. What is the possibility of that being taken off and the self-certification increased?

Mr. LYNCH. Well, sir, as far as aluminum is concerned, if he can use that much, with self-certification against the 1950 base requirements, he would be in very good shape.

Mr. DALMAS. Is there any chance of increasing those self-certification amounts?

Mr. LYNCH. I think there are a lot of other areas, such as building materials and the corrugators and the extruders, who are much more in need of help. That is a very liberal order right now.

Mr. ANDREWS. That is my feeling—that the order is very liberal and we would not want to see it increased because there are other areas that need more aid first.

Mr. DALMAS. Mr. Chairman, I would like to have Mr. Clark, if you will permit, ask some questions on the carry-over problem.

Mr. BURTON. We would be very glad to have Mr. Clark do so.

Mr. CLARK. For one thing, it may be that some of the carry-over perhaps is a paper carry-over and that some of it will not actually materialize.

Mr. ANDREWS. The carry-over figures I gave you are exact.

Mr. CLARK. What about aluminum?

Mr. LYNCH. Yes, sir; in aluminum they are firm orders on the mills. We think it is a firm and solid figure.

Mr. CLARK. In copper, the mills can accept up to 122 percent of the production directive; is that not right?

Mr. ANDREWS. Of their directive, on the limitation and the—or their limitation of acceptance and scheduling of orders. We do not have a production directive like the Aluminum Division does.

We have a directive out to the mills that gives each mill a limitation, setting up a limitation on each mill as to the amount of authorized controlled material orders that they can accept and schedule within any one calendar month.

Mr. CLARK. In aluminum the figure is 100 rather than 122.

Mr. ANDREWS. We lifted that ceiling on the mills in order to take care of this overload for the first quarter.

Mr. CLARK. Is there any possibility or is there any need for doing the same thing in aluminum?

Mr. LYNCH. Well, in copper, the 122 is including the backlog and ours is 100 percent without backlog, and the backlog is 103 million pounds on the 1st of February.

We put that figure in at 100 percent to get an even distribution of product throughout the industry, and it is flexible. We can raise it, and probably will, as a result of this disbursement of the 30 million pounds, wherever we find it necessary. It is a very quick procedure.

Mr. CLARK. Would you say that there was increased attrition as between the last quarter and the third quarter?

Mr. LYNCH. Yes, sir, and we expect there will be some further attrition in the first quarter, we expect it will increase in the first. That is one of the reasons why we so readily agreed to disbursement of another 30 million pounds.

Mr. ANDREWS. We figured there was some slight increase in attrition.

Mr. CLARK. Would overstatement of requirements by certain agencies be a factor in increased attrition?

Mr. ANDREWS. No, not unless they get tickets. Attrition comes from increasing tickets, not overstatement.

Mr. CLARK. Do you think there has been over issuance of tickets—what first causes an attrition? Perhaps we can get at it that way.

Mr. ANDREWS. I would not know. I think that DPA would know the answer much better than we do, because we only cash the tickets that they hand out, but it is obvious there is some dislocation of tickets. To what extent, and in what areas, we do not have that information.

Mr. LYNCH. We think that to some extent it is due to growing confidence in the workability of the CMP. We do know that we guaranteed to make all tickets good and that there is not the same urgency, not the same situation where a man rushes to get his ticket to a mill. It is something like stopping a run on a bank by making money available or visible, and I think that is a very strong factor. They have more confidence, and they can get it when they want to in the quantity they are entitled to.

Mr. CLARK. Do you keep track of inventories, or is that the job of another division?

Mr. LYNCH. We keep track of some inventories. We keep a running report on aircraft inventory, which is one of our biggest users.

We also get, in our 122 report, we get our inventory figures from the mills that we give authorized production schedules to. We do not get any inventory figures from end users.

Mr. ANDREWS. We keep track of inventory figures in our own industry, but not in end-use industries.

Mr. CLARK. Do you feel there is still a large degree of noncompliance in inventory restrictions?

Mr. ANDREWS. At what level?

Mr. CLARK. The manufacturer's level.

Mr. ANDREWS. The users?

Mr. CLARK. The users.

Mr. ANDREWS. I would not be qualified to say.

Mr. CLARK. But in the aircraft industry I gather you would be qualified.

Mr. LYNCH. I think I would be qualified to prove that there is. Our figures seem to indicate there are several spots of overinventorying.

Mr. CLARK. Do you feel that the present inventory restrictions are realistic?

Mr. LYNCH. That I could not make as a general statement, but I just say there is a list of aircraft companies that are heavily inventoried. How much is due to the cut-back, and how much is due to change in design, manufacturing changes—of course, that is an industry that can be quickly caught in an overinventory position because of change in a model or a part.

Mr. CLARK. If we move into a period of decontrol—and I am not thinking right of the moment—would you say that supplies would have to reach the level of the stated demand by the claimant agencies before decontrol of a particular product was possible?

Mr. LYNCH. As far as aluminum is concerned, I think that is a question that Mr. Trigg of DPA would be much better qualified to answer, with his information and data.

Mr. ANDREWS. I would agree with Mr. Lynch on that, except that in the case of copper we have areas where copper was not permitted to be used and in addition to handing out more allotments for permissible uses, the next step would be to ease up all of the current restrictions before you could balance demand and supply.

Mr. DALMAS. I have one more question.

In these days aluminum quite often supplants copper. We have noticed that a great many of the copper people are endeavoring to get supplies of aluminum. We wonder what the attitude of the Aluminum Division is on that score.

Mr. LYNCH. Well, when we get around to discussing that, I think we have to go out of doors to do it. [Laughter.]

Mr. DALMAS. If that's the case, I will withdraw the question.

Mr. BURTON. Mr. Lynch and Mr. Andrews, again we want to thank you.

Mr. LYNCH. Mr. Chairman, and committee, we thank you very much for your kind invitation.

Mr. BURTON. It was a very clear statement that both of you made.

Now, before we adjourn until next Tuesday morning, I would like to ask whether anyone present wants to be heard. That is a broad invitation. The testimony so far has come from men who have been asked to appear.

If there is anyone present who would like to be heard, we will hear him.

Mr. ALLEN. I would just like to correct an impression, Mr. Congressman, that was made in, I believe, Mr. Evins' statement.

I would like to say that everything is not rosy in the consumer goods and small business, although the condition in relation to the tickets now outstanding is getting in much better shape, it is true in that respect, it is fairly comfortable with respect to tickets; but with respect to copper, that level is down to around 35 percent and there is a lot of room to bring that up.

In relation to their job of supplying material, it is getting into pretty good shape, but it is not rosy by any means. It is awfully bad, and I think both of these gentlemen will support my position.

Now, I do not know whether I quoted you correctly or whether I had a misconception.

Mr. BURTON. We gave Mr. Andrews and Mr. Lynch an opportunity to support your position.

Mr. ANDREWS. I did support it in general, sir. We have nothing to do with the issuance of tickets. We supply a supply figure to DPA to parcel out our meager supplies, and we have no control as to where the goods go nor in what quantities. We are only responsible for cashing those tickets and, in cashing them, I think we do a good job.

Mr. LYNCH. As far as aluminum is concerned, it is certainly rosy as compared to several months ago.

Mr. BURTON. That is the impression I got.

Mr. LYNCH. And the disbursement of that 30 million pounds of tickets should add considerably to the consumers tonnage and to the small-business man's allotments of aluminum.

Mr. Burton. In other words, if it is not exactly rosy, it is greatly improved.

Mr. LYNCH. Yes, sir, and the figures show that it should continue that way, outside of a world calamity.

Mr. EVINS. Well, I feel it is the function and duty of Mr. Allen and his agency to make it rosy, anyway.

Mr. BURTON. If nobody else wishes to be heard, we will adjourn until next Tuesday morning.

(Whereupon, at 4:25 p. m., the committee adjourned until Tuesday, March 11, 1952, at 10 a. m.)

PROBLEMS OF SMALL BUSINESS UNDER THE CONTROLLED MATERIALS PLAN

TUESDAY, MARCH 11, 1952

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE SELECT COMMITTEE
TO CONDUCT A STUDY AND INVESTIGATION OF THE
PROBLEMS OF SMALL BUSINESS,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 304, Old House Office Building, Washington, D. C., Hon. Mike Mansfield, presiding.

Present: Representatives Mansfield (presiding), Joe L. Evins and Horace Seely-Brown, Jr.

Also present: Victor P. Dalmas, Executive Director, Arthur F. Lucas, and Duncan Clark of the committee staff.

Mr. MANSFIELD. The meeting will come to order.

The first witness will be Mr. Samuel W. Anderson, Deputy Administrator for Aluminum of the Defense Production Administration.

Mr. Anderson, will you take the chair and proceed.

STATEMENT OF SAMUEL W. ANDERSON, DEPUTY ADMINISTRATOR FOR ALUMINUM, DEFENSE PRODUCTION ADMINISTRATION

Mr. ANDERSON. Mr. Chairman, I am delighted to have an opportunity of testifying before this committee in order to bring the committee up to date on certain aspects of the aluminum situation. I understand that Mr. Lynch has testified on certain phases of the operation of the CMP insofar as it affects aluminum and, therefore, I shall not cover the same ground this morning. I would like, however, to have an opportunity to lay before you the progress of the expansion program as we see it today.

Mr. Chairman, at the request of your staff, I have written out my observations here, but I think perhaps as a matter of convenience or efficiency, if you like, I will depart from my text and use the chart with a pointer, indicating somewhat more effectively for your benefit what the status is. I will leave this for the record, although without the charts, it is not too significant in print.

Mr. MANSFIELD. All right.

Mr. ANDERSON. My name is Samuel W. Anderson. I am the Deputy Administrator for Aluminum of the Defense Production Administration.

(The written statement submitted by Mr. Anderson follows:)

I have brought along with me a chart which I use constantly in informing my associates and others as to the status of the expansion

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program and, with your permission, I should like to make a few general remarks on the chart and the facts which it discloses. (Chart A follows p. 642.) The under side of the chart represents an attempt to set forth the prospects, as we saw them on December 1, 1951. The lower diagonally striped portion of the chart gives our estimate month by month, for the years 1952 and 1953 of the monthly production of metal from the so-called old plants which were in existence prior to the authorization of the expansion program, including the Badin and Massena plants which have been reactivated to supply aluminum under Government contract for the stockpile. You will notice that this section of the chart shows quite a pronounced dip, especially in the winter of 1952–53 and, to a lesser degree, in the winter just past, as well as the beginning of the winter of 1953–54. This dip is forecast because of the existence of interruptible power contracts mostly between Bonneville Power Administration and the aluminum producers in the Northwest. You will doubtless recall that a rather severe shortage of water developed in September and October 1951 which caused some aluminum plants to shut down for a period of 3 to 4 weeks. Our loss of production from this state of affairs at that time totaled only about 2,000 tons of metal. Since that time, fortunately, those who control the rainfall in the Pacific Northwest were especially good to us and we have not suffered any further losses in this winter just past from loss of capacity to produce power. The original chart, as you will notice, had been constructed on the theory that we would lose about 20,000 tons during the past winter. Luckily, this was a pessimistic estimate to the extent of approximately 18,000 tons.

Looking forward into the next winter, we have felt that it would be unwise to assume a repetition of such good fortune as we have recently experienced. Indeed, we have taken for our line at the top of the striped section of the chart, a prediction which assumes the loss of all so-called interruptible power, which it is estimated will amount to 347,000 kilowatts, during the 6-month period from October 1952 to April 1953. This would mean a loss of 86,000 tons of aluminum that might otherwise be produced. I hold no brief for my ability to forecast water conditions 6 to 9 months away, nor do I know of anyone who claims to possess that power. However, it is better to be pleasantly surprised than to be unpleasantly surprised and, accordingly, all of our calculations are based on this pessimistic assumption. I hope I am correct in saying that it is probably much too pessimistic.

Moving one's eye up the chart, you will notice that the cross-hatched area represents the contribution of metal from the new or expanded plants now under construction. You will observe that in this month of March 1952, the width of this section of the chart is very narrow indeed, indicating that so far we have benefited only to a minor degree from production of the new plants. As you know, it takes a long time to build and equip an aluminum plant. As the months move on in 1952, however, you will see from the chart that this band is rapidly expanding. The dotted band next above represents our judgment, on December 1, of the amounts of imports which we expect, principally from Canada. In this connection, I might point out that Canada too, suffered late in 1951 a rather severe water shortage and a long strike in the third quarter. Its own production of metal was, accordingly, reduced somewhat. Its exports, therefore,

both to the United States and to other markets had to be considerably reduced during that period. This accounts for the somewhat narrower measurement of the band in October and November, as against the monthly average bar chart to the left, for the first 9 months of 1951.

Finally, the top shaded section of the chart represents our calculations as to the receipts of old and new aluminum scrap which, of course, constitutes an important section of our aluminum supplies. It is from this source principally that many aluminum foundries of the United States draw their secondary metal for the making of castings.

The chart is a little too small in size for you to be able to read the many notations made on it indicating on December 1, 1951, the dates on which we expected the new plants to come into production.

I would now like to place over the old chart a new overlay which is designed to show the changes in our predictions as a consequence of events which have transpired since December 1, 1951. (Chart B follows p. 642.) You will see that some of the lines are somewhat different than they were on the underlying chart. I would like to touch upon these changes briefly without taking too much of your time in minute details. In the first place, as I pointed out, we were more fortunate than we expected in the Pacific Northwest. Accordingly, the heavy line for the bottom portion is somewhat better than we had originally anticipated. This, however, was partially offset by the loss of a little less than 6,000 tons of metal through a strike at the Troutdale plant of the Reynolds Co. which caused that plant to shut down for a period of about 5 weeks. A sudden strike in an aluminum reduction plant is a serious thing because unless adequate time is afforded to pump out the electrolytic pots in which the aluminum is made, the pots inevitably freeze up and require drastic air hammer treatment to restore them to condition to enable them to produce again when the strike is over. This was the variety of strike experienced in Troutdale.

A slight improvement in the import situation, as indicated by the heavy line above the dotted portion of the chart, toward the end of 1951 and during 1952 is brought about by the recent negotiations with the British under which 27,500 short tons of Canadian aluminum under contract with the British have been temporarily diverted to the United States during this period. This so-called British loan will be completed by December 31 but, as you will notice, in the early part of 1953 it is planned to replace this metal by substantially reducing imports from Canada so that the metal may be redirected to the British. This latter fact is responsible for the dip in the total production line in the first half of 1953 below what we had anticipated earlier.

You will also notice that the heavy line for the cross-hatched section beginning about February is somewhat below our previous prediction. This is largely brought about through a disappointment in the delivery of large gas engines to the Chalmette, La., plant of Kaiser, and the Corpus Christi, Tex., plant of Reynolds Metals. This slippage of power generating equipment has been responsible in large measure for the loss of about 18,000 tons of metal which we had expected to get at a somewhat earlier date from this facility. As to a number of the other newer plants, I am happy to report that the first and second potlines in Alcoa's plant at Point Comfort, Tex., are coming in ahead of the schedule, which we had contemplated last December. This will give us some improvement in our metal supply beyond that which we thought we could expect. The Wenatchee, Wash., plant, also

constructed by Alcoa will, we expect, also come in earlier than we had originally anticipated, and will be enabled to operate on interim power from Bonneville prior to installation of the new generators at the Rock Island powerhouse.

Turning now to 1953—in the early part of this year, as you will see, a number of the plants will finally be completed. This will include the final lines at Chalmette and the two final lines at Alcoa's Rockdale, Tex., plant. The first two lines in this latter plant will be powered by purchased energy from the Texas Power & Light Co., but, unfortunately, the amount of available interim power is not sufficient to carry the third and fourth lines in this plant, which will be ready in January and February of 1953. The operation of these two lines must await delivery of the first of the large 80,000 kilowatt generators now scheduled for operation in September or October of 1953. Try as we have, there seems to be no solution to this waiting period toward the end of the program. Finally, the new plant of the Reynolds Metals Co., in Arkansas, which is just getting under way, is now scheduled for April of 1953. This is a tight schedule and may not be attainable. The plant which Anaconda is building in Montana is scheduled for completion in May of 1953, using Hungry Horse power.

When the expansion program has been completed during the last half of 1953, as you will see from the chart, the total production of virgin aluminum from facilities in the United States will amount to approximately 126,000 short tons per month, as against about 67,000 short tons per month in the first half of 1951. Total metal supply, including anticipated imports and scrap generation, we expect to rise to about 170,000 tons a month in late 1953 from about 114,000 tons a month early in 1951.

As I think this committee realizes, the problem in aluminum is fundamentally the problem of the supply of metal, rather than the capacity to fabricate it into useful forms. During this difficult and troublesome period of shortage, it has been my effort and the effort of all parts of the defense agency to see to it that the first claim of the defense program shall be met on time. I know of no case where non-delivery of aluminum has indeed held back the production of a military item, except in the rare instance of temporary shortages in such items as forgings or extrusions requiring the production of new dies.

I think it is fair to say that the outlook, as shown on the chart which you see, suggests that unless there is a very large change in the demands for aluminum for military purposes, the civilian users of the metal will find themselves increasingly able to satisfy their wants and gradually to recover the position which they occupied before the impact of the defense program was felt.

We all know that aluminum is a dynamic metal, growing in importance and usefulness over a very wide front. Those of us who are interested in it believe that if the freedom of choice to use it or to refrain from using it either in substitution of other materials or for new uses can soon be restablished amongst businessmen, it will continue to provide an important and significant section of the materials on which our economy is operated. It has never been our policy to attempt to force the use of aluminum in place of something else, except under the most extraorindary cases when the savings of such

materials as scarce nickel and cobalt appear to have very widespread technical support. Amongst the latter, for example, I presume might be included the use of aluminum conductors for high tension transmission, a use which had been well-established prior to the present period. I have no doubt that when aluminum becomes freely available there will be other areas in which the technical and economic judgment of the businessmen can be brought to bear to come to the decision as to where this use is most appropriate. This is certainly a condition devoutly to be hoped for.

The under portion of this chart, Mr. Chairman, represents the reading of the aluminum supply situation as we were able to make it on the 1st of December 1951. The overlay, which I will put down in a few minutes, indicates the changes which have taken place since that time.

To explain the chart (p. 642, chart A) a little, this bottom section diagonally lined constitutes that portion of the aluminum supply which is coming from the so-called old plants. Those are the aluminum reduction plants which were in being before the authorization of the present expansion program.

There are one or two items that I would like to mention in connection with this lower section. You will notice that the chart for the winter of 1950–52, where we now are, as we saw it in December, showed a substantial dip in monthly production. That was drawn in that way because at that time we were fearful that, due to weather conditions and rainfall in the Pacific Northwest, substantial quantities of interruptible power would be cut off from the aluminum plants in the Pacific Northwest and therefore we would not have the benefit of that metal. Indeed, at that time we estimated that our losses in the metal during that period might amount to as much as 20,000 tons.

I will return to that subject in a moment when I put the overlay down.

You will also notice that in the winter to come, that is, the winter of 1952–53, the chart also takes quite a severe dip. That is for exactly the same reasons. Unfortunately, none of us are able to forecast the weather very accurately and accordingly we have assumed that the worst would happen, that all of the interruptible power that could go off would indeed be cut out during that winter, and that we would lose as much as 86,000 tons next winter.

Conditions in the winter of 1953–54 are assumed to be somewhat better due to the fact that some additional power plants are expected to be on the line by that time.

The second band of the chart, the cross-hatched band, represents the contribution in metal expected from the new expansion program, consisting of the construction of additional aluminum reduction plants and auxiliary facilities.

We are here now in March and you will observe, as we saw it in December, the contribution of that expansion program would be of the magnitude shown by that portion of the chart. It is just beginning to have its effect.

The dotted part of the band is designed to indicate our then expected imports, mostly from Canada, which is the accustomed shipments of metal into this country.

The top shaded band represents our calculations as to receipts of old and new aluminum scrap, salvage from material in use for a long time.

Mr. MANSFIELD. That dip didn't come through as anticipated, the first one, did it?

Mr. ANDERSON. As I put the overlay on, I will explain that in greater detail. Actually we were very fortunate this winter. The total losses for the entire season constitute the drop due to the sharp drought in late September and early October, when we lost 2,000 tons. The balance of the estimated loss was entirely saved. So the powers that control the weather have been extremely gracious to us this year, fortunately.

The individual items, I am sure, are too small for you to be able to read. Those indicate the starting dates of the new plants as estimated on December 1, as they came into production. Those estimates have a real bearing on the construction of the chart itself. I would now like to put the overlay on it, which indicates the changes in the situation that have developed as a consequence of events since December 1 (p. 642, chart B).

This chart is kept up to date periodically, so we can constantly be reminded of the facts as they develop. The first one is the one I just mentioned to you, this heavy black line being somewhat higher than we anticipated it would be because of the favorable weather conditions in the Pacific Northwest. That was partially offset by a strike in the Reynolds Aluminum plant in Troutdale, in which the workers walked off and the pots, electrolytic cells in which the aluminum is produced, froze up and it took 5 weeks to get it back into production.

Mr. MANSFIELD. How long was that strike?

Mr. ANDERSON. About 5 weeks. The strike itself wasn't a strike in that sense because the same men who walked off the job for a period of 72 hours were immediately hired back to get in with jack hammers and clean out the pots. So the men themselves practically suffered no loss of income, whereas the company lost over $1,000,000.

Mr. MANSFIELD. It is my understanding that they have developed means by which they can bring those pots back into operation in a short while no matter how cold they get.

Mr. ANDERSON. Individual pots, pot by pot, that is true, by putting in large amperage. It is a hazardous undertaking. It was deemed doubtful whether that method would completely work. It is extremely dangerous.

Combining such heat as could be technically and safely applied, together with the cleaning-out operation, they were able to bring back production in about 4 to 5 weeks. The loss of that metal consituted a loss of about 5,700 tons.

The next point of interest in the chart at this stage is the increase in the green line which is the beginning of the receipt of metal which was received over a period of the first 6 months of 1952 as well as in December. However, that is partly offset by a disappointment during this period, as demonstrated by the position of that line as contrasted with the line on the original chart. That comes about largely through the delay in the delivery of gas burning engines for the Chalmette plant of Kaiser as well as the same type, although different make of engines, for the Corpus Christi plant of Reynolds. This has caused, in our

estimation, a loss of 15,500 tons of metal that we otherwise thought we were in prospect of receiving, as we saw the situation on December 1.

There are various other adjustments to these lines which come about by virtue of some expediting work that has been done with respect to Point Comfort, Tex., plant of Alcoa, which has been advanced by a month as well as the Wenatchee, Wash., plant, built by Alcoa, which has been advanced 1 to 3 months as far as the starting date is concerned.

The favorable effect of that is reflected in these lines.

Mr. MANSFIELD. You mean those plants are in operation now?

Mr. ANDERSON. The first pot line in Point Comfort threw the switch on the 1st of March, 16 days ahead of schedule, 29th of February—16 days ahead of schedule. The second pot line is due, as I recall it, on the 1st of May.

Mr. MANSFIELD. That is in Texas?

Mr. ANDERSON. Texas.

Mr. MANSFIELD. What about the Wenatchee plant?

Mr. ANDERSON. That is presently scheduled for the first pot line to begin operation on the 1st of June. The second pot line is to begin operation on the 1st of August.

Mr. MANSFIELD. What about the Anaconda Harvey line?

Mr. ANDERSON. That is over here. The original plan we had in December was for a spreadout starting with that plant on the basis of very preliminary construction schedule. Since construction has not yet started, we believe that that plant will come in about April of 1953. That will be the last of the complete plants, with the possible exception of the Reynolds Arkadelphia plant, which is now scheduled for April of 1953. That is not yet in construction.

Mr. MANSFIELD. The Harvey Anaconda plant will be a five-pot line plant?

Mr. ANDERSON. No, two large sized pot lines, with a capacity of about 50,000 tons a year.

Another item of interest is perhaps the import band over here. The first 6 months of 1953 show a squeezed down appearance. That is due to the projected redirection of metal from Canada to the British account, which the British have given up for our benefit during our period of severest shortage.

Finally, the most serious delay we have as far as a portion of the plant is concerned, consists of the final two pot lines of the Rockdale, Tex., plant of Alcoa. That is a four-pot line plant. The first two pot lines will be picked up by interim power from the Texas Light & Power Co., but there is insufficient interim power and ability to transmit it to take up the last two lines, so the last two lines will be ready in January and February of 1953, but there will not be any possibility of operation until probably September or October of 1953 when the first large lignite-burning boiler and its generator is spinning and able to deliver power. That waiting period is a disappointment, but it happens at a time when our metal supply is much better than it is today.

The final outcome of this expansion program, as you can see here, is the increase in the virgin metal supply, primary metal, from about 65 to 70 thousand tons a month to approximately 130,000 tons a month and estimated total metal supplies from 114,000 tons a month to 174,000 tons a month.

Mr. MANSFIELD. What period is the last line that you have?

Mr. ANDERSON. This is the peak month of 1954, just a sample month, which is virtually the same as this. The reason we put that in a peak month is because we ended the year during a period of doubtful water conditions in the Pacific Northwest and in the summer of 1954 there can be no question of interruptible power because there is excess water.

Mr. MANSFIELD. What period does that chart cover?

Mr. ANDERSON. The chart itself covers from the month of October 1951 at this point to December 1953 at this point. The isolated average month in 1951 is an average of the first 9 months of 1951 as a comparative figure.

I don't know whether this is a convenient time to stop for any further questions on the chart before I make some other observations.

Mr. SEELY-BROWN. I have some questions, but I would like to have the whole statement read first.

Mr. MANSFIELD. Mr. Anderson, do you want to read some more from your statement or are you ready for questions now?

Mr. ANDERSON. I am ready for questions if you wish. I only had a paragraph or two.

Mr. MANSFIELD. Will you finish what you want to read, then, and we will question you afterward.

Mr. ANDERSON. As I think this committee realizes, the problem in aluminum is fundamentally the problem of the supply of metal, rather than the capacity to fabricate it into useful forms. During this difficult and troublesome period of shortage, it has been my effort and the effort of all parts of the defense agency to see to it that the first claim of the defense program shall be met on time. I know of no case where nondelivery of aluminum has indeed held back the production of a military item, except in the rare instance of temporary shortages in such items as forgings or extrusions requiring the production of new dies.

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We all know that aluminum is a dynamic metal, growing in importance and usefulness over a very wide front. Those of us who are interested in it believe that if the freedom of choice to use it or to refrain from using it either in substitution of other materials or for new uses can soon be reestablished amongst businessmen, it will continue to provide an important and significant section of the materials on which our economy is operated. It has never been our policy to attempt to force the use of aluminum in place of something else, except under the most extraordinary cases when the savings of such materials as scarce nickel and cobalt appear to have very widespread technical support. Amongst the latter, for example, I presume might be included the use of aluminum conductors for high-tension transmission, a use which had been well established prior to the present period. I have no doubt that when aluminum becomes freely available there will be other areas in which the technical and economic judgment of the businessmen can be brought to bear to come

to the decision as to where this use is most appropriate. This is certainly a condition devoutly to be hoped for.

Mr. MANSFIELD. Thank you, Mr. Anderson. First, I think that you ought to produce for the record at the beginning of your remarks a synopsis of your background. I understand you are very well qualified in this particular field, but I feel that, for the record, it would be well to have that information. Will you do that?

Mr. ANDERSON. I will be very happy to do that.

My original training was as an investment banker in New York where I lived until the war. During the war I came to Washington in September 1941 to join the then, Office of Production Management as Assistant Director of the Aluminum-Magnesium Branch. I continued in that position under Mr. Arthur Bunker, who was the Director until January 1944, when I became Deputy Vice Chairman for Metals and Minerals.

In May of 1944 I became Program Vice Chairman, succeeding Julius Krug when he went into the Navy. I kept that position for 1 year, retiring on VE day to go back to New York.

Since that time, in July of 1948, I was asked by Mr. Hoffman to become Director of the Industry Division of ECA in Washington, which position I occupied for a year. Subsequently, I joined the staff of the International Bank for Reconstruction and Development in October of 1949, from which institution I am now on leave for my present position.

Mr. MANSFIELD. Thank you, Mr. Anderson.

Mr. Seely-Brown.

Mr. SEELY-BROWN. I would like to ask you this question. It is my understanding that the military are spending at the rate of approximately $3 to $4 billion a month. We have allocated money, I believe, to spend at the rate of approximately $7 billion a month. If we hit that top figure, will there still be enough aluminum, in your opinion, to take care of the civilian users?

Mr. ANDERSON. Yes; I believe there will be. Our present reading of the situation is based upon the most recent figures that we can obtain from the Munitions Board as to the projected needs of aluminum through 1954. Admittedly, these programs of course, are subject to change at the will of Congress and otherwise. But, on the basis of our present understanding of the military requirements for all programs, aircraft and nonaircraft, I think this statement is justified, because the requirements, in fact, do not rise from this point to any large degree quarter by quarter, but remain much more stable than we had heretofore supposed they would be.

Mr. SEELY-BROWN. Another question: As you anticipate an expansion in the domestic production of aluminum, do you feel that there will be enough power to meet the needs of that expanded program?

Mr. ANDERSON. Speaking of this program?

Mr. SEELY-BROWN. Yes.

Mr. ANDERSON. Yes. The power arrangements have all been made for all these plants. In part some of the plants have arranged to use interim power for a period in order to get them into production quicker and during that period in which their own power facilities are under construction, but the power arrangements for all these plants are completely taken care of as required.

There is one technical argument still going on in connection with the plant of the Reynolds people in Arkadelphia, which has not been settled yet. Other than that they have all been settled.

Mr. SEELY-BROWN. I believe this is a fair question. I do not want to embarrass you. Do you know of any possible expansion or building of aluminum plants along the eastern seaboard, in the New England area?

Mr. ANDERSON. No; I have heard of no proposal to that effect so far.

Mr. SEELY-BROWN. Are we exporting any aluminum?

Mr. ANDERSON. We are exporting a very small amount of pig to Mexico consistent with our foreign policy with respect to Mexico, and a very small amount of fabricated aluminum to other parts of the world through OIT and ECA. In most cases the fabricated aluminum is of such character that it is obtainable only from the United States. In the case of pig it is part of our Mexican policy to permit one of two facilities there, which is American owned, to operate at some minimum rate to prevent it from going broke.

Mr. SEELY-BROWN. Could you give us an idea as to the amounts of aluminum that would be involved in that?

Mr. ANDERSON. In the exports?

Mr. SEELY-BROWN. Yes, approximately.

Mr. ANDERSON. The figures on pig, I am sorry to say, my recollection is not too accurate. It is a matter of a few hundred thousand pounds per quarter. I can supply the figure for the record if you wish.

(Information submitted is as follows:)

1951 exports of ingot to Mexico, in pounds

First quarter	95,000
Second quarter	33,000
Third quarter	265,000
Fourth quarter	198,000
Year	591,000

Mr. ANDERSON. As to aluminum fabricated forms, the total allocation in the second quarter to OIT and ECA are tickets which include, incidentally, the virgin metal—if my memory is correct, that figure is about 2 million pounds.

Mr. MANSFIELD. You can check those figures.

Mr. ANDERSON. If I may, I will correct those figures (corrected figure, 1,748,000 pounds).

Mr. MANSFIELD. Mr. Evins.

Mr. EVINS. I judge your testimony is in line with that we have previously had making for a more attractive or brighter picture for aluminum production now and in the future.

Mr. ANDERSON. I would like to answer that question this way. I think our present situation, as you can see from the chart, is one in which we are just beginning to feel the effects of the increased supplies of the metal. As you can see, those effects will be progressively more important during the next 15 to 18 months. As such, of course, that cannot help but improve the picture as far as the civilian consumers are concerned, so long as the military demands do not change from what we understand them to be today. However, I would like to say that it is my belief that the total demands from the civilian economy are still substantially higher than the amount of metal we can make available for the civilian uses.

At this particular moment, as you were told the other day, there is a certain softness in the market which we think came about from several sources. One is that people realize that a CMP ticket is indeed a cashier's check on the metal and they can get the metal when they cash the ticket.

The second one is, that I think the frantic character of the demand which was so evident in the fourth quarter has disappeared.

Finally, the businessmen who are using aluminum to produce civilian goods, as I understant it, are having a certain amount of difficulty in disposing of their merchandise in quite the volume that they may have hoped for some months ago.

Mr. EVINS. The large increases from the expanded production?

Mr. ANDERSON. Yes, that is correct.

Mr. EVINS. Is this expanded production evidenced in new plants or in expanded existing facilities?

Mr. ANDERSON. It is a combination of both. A number of new plants have been built and in a number of cases old plants are being added to.

Mr. EVINS. Are you in a position to tell us whether or not the demands or needs of small business, civilian requirements, are being substantially satisfied at the present time?

Mr. ANDERSON. I am sure they are not being substantially satisfied in terms of the case of the many hundreds and indeed thousands of businessmen who would like to use aluminum in various forms, and it is our hope that, as the expansion proceeds, it will be progressively possible to work up more nearly to the genuine requirements of the small business people as well as the large consumersod aluminum. Every effort now, of course, is being made to distribute the short supplies to the civilian economy as fairly as it possible, but in the presence of a shortage of anything in relation to the genuine demands, it is always impossible to say that everybody will be completely satisfied.

Mr. EVINS. That is all, Mr. Chairman.

Mr. SEELY-BROWN. In connection with the statement you have just made, would you care to suggest a time or a date when you feel it would be proper to remove controls?

Mr. ANDERSON. No, I do not like to hazard a guess on that because so much depends on a variety of unknown factors. I think it would be a tragic mistake to decontrol a metal or any material which is as important as this too soon because of the inevitable scramble that would take place and the recreation of black markets and other objectionable situations.

Mr. SEELY-BROWN. You appreciate the fact that, as the picture gets better, the pressure to decontrol also increases in the same ratio and possibly in an even greater ratio.

Mr. ANDERSON. Exactly. I think there will certainly come a time when that will be the better part of wisdom. The present policies of DPA and NPA, as you know, are to make available increasing amounts of tickets to the civilian economy as the metal supply permits, particularly as this tendency on the part of certain consumers not to use some of the tickets they got generates a slight vacuum in which we can inject a little more assistance in the areas where we know the tickets are necessary.

As the third and fourth quarters of 1952 and the first quarter of 1953 develop, we will be able to raise the allocation tickets to the civilian economy some more so that more segments will be closer and closer to their needed demands, provided again, that the military picture is sufficiently predictable. It could be possible to progressively free this matter of controls. There may be certain shapes that it might be necessary to maintain controls on longer than other shapes, but even that is speculative at the moment.

Mr. MANSFIELD. Mr. Anderson, could you tell this committee what the average shortage in copper is in this country?

Mr. ANDERSON. Average shortage?

Mr. MANSFIELD. Yes.

Mr. ANDERSON. I would hesitate, Mr. Chairman, to answer that question. I do not profess to be a student of copper in anything but the most superficial way.

Mr. MANSFIELD. The reason I ask the question is because there is an increasing connection between the use of copper and the substitution of aluminum due, primarily, to the fact, as I understand it, that we suffer from a shortage of approximately 500,000 tons a year in copper in meeting our demands, and it seems that it is aluminum that is the best substitute for copper. So there is a connection between the question and your particular field. Could you try and get that information for the record and insert it in these hearings?

Mr. ANDERSON. I will be glad to ask Mr. Andrews who is the head of the Copper Division of NPA, to supply what information he can with respect to that.

I am aware of the intimate connection and competition between these two metals and it is a subject that has been given a great deal of attention in NPA and DPA.

(Information submitted is as follows:)

Copper Division statistics

YEAR 1951—DEMAND FOR COPPER AND COPPER-BASE ALLOY CONTROLLED MATERIALS AND COPPER RAW MATERIALS

Controlled materials (millions of pounds, metal weight)	First quarter				Second quarter				Third quarter						Fourth quarter						Year 1951 actual deliveries [1]
	Actual deliveries				Actual deliveries				Stated requirements Mar. 1951	Allotments issued Sept. 21, 1951	Actual deliveries				Stated requirements Sept. 21, 1951	Allotments issued Dec. 31, 1951	Actual deliveries				
	Total	Jan.	Feb.	Mar.	Total	Apr.	May	June			Total	July	Aug.	Sept.			Total	Oct.	Nov.	Dec.	
Brass mill products	576	197	187	192	683	198	227	258	794	610	567	154	221	192	918	659	625	218	210	197	2,451
Alloyed	377	129	123	125	492	147	165	180	587	.....	391	106	154	131	654	.....	449	157	152	140	1,709
Sheet and strip	167	59	53	55	200	65	65	70	278	.....	176	44	70	62	256	.....	198	70	69	59	741
Rod, bar and wire	167	55	56	56	246	69	85	92	216	.....	178	53	69	56	310	.....	207	71	69	67	798
Tube and pipe	43	15	14	14	46	13	15	18	93	.....	37	9	15	13	85	.....	44	16	14	14	170
Unalloyed	199	68	64	67	191	51	62	78	207	.....	176	48	67	61	264	.....	176	61	58	57	742
Sheet and strip	80	28	26	26	65	15	20	30	66	.....	58	16	21	21	79	.....	64	22	21	21	267
Rod, bar and wire	20	7	6	7	31	7	10	14	81	.....	37	9	15	13	96	.....	41	15	14	12	129
Tube and pipe	99	33	32	34	95	29	32	34	60	.....	81	23	31	27	89	.....	71	24	23	24	346
Wire mill products	[2] 362	120	113	129	368	115	125	128	428	282	307	92	114	101	461	357	337	112	113	112	1,374
Foundry products	311	103	97	111	307	102	106	99	184	259	285	86	103	96	401	304	255	93	88	84	1,168
Powder mill products	[2] 6	2	2	2	6	2	2	2	.....	.....	7	2	2	3	.....	.....	9	3	3	3	28
	Actual consumption				Actual consumption						Actual consumption						Actual consumption				
Copper raw materials (thousands of short tons, copper content):																					
Refined	346	115	106	125	349	111	123	115	400	310	310	92	115	103	458	369	365	134	115	116	1,370
Brass mills	158	55	47	56	161	53	57	51	178	159	146	40	57	49	213	171	162	58	50	54	627
Wire mills	[2] 181	58	57	66	180	[2] 57	63	60	216	143	154	49	55	50	233	186	187	71	60	56	702
Foundries [4]	[2] 5	2	1	2	[2] 6	1	2	3	6	8	7	2	2	3	12	12	13	4	4	5	31
Powder mills	[2] 2	[3]	1	1	[2] 2	[3]	1	1	.....	.....	3	1	1	1	.....	.....	3	1	1	1	10
Scrap	220	72	70	78	214	70	74	70	211	188	195	62	71	62	307	211	196	70	65	61	825
Brass mills	91	30	29	32	87	27	30	30	137	85	78	27	28	23	147	92	93	33	31	29	349
Foundries [5]	129	42	41	46	127	43	44	40	74	103	117	35	43	39	160	119	103	37	34	32	476
Total raw material demand	566	187	176	203	563	181	197	185	611	498	505	154	186	165	765	580	561	204	180	177	2,195
Surplus or deficit	25	.....	.....	.....	14	.....	.....	.....	(126)	(13)	(20)	.....	.....	.....	(258)	(73)	6	.....	.....	.....	(25)
Refined copper	(15)	.....	.....	.....	3	.....	.....	.....	(99)	(9)	(9)	.....	.....	.....	(136)	(47)	(1)	.....	.....	.....	(22)
Scrap	(10)	.....	.....	.....	11	.....	.....	.....	(27)	(4)	(11)	.....	.....	.....	(122)	(26)	7	.....	.....	.....	(3)

See footnotes at end of table, p. 635.

Copper Division statistics—Continued

YEAR 1951—SUPPLY OF COPPER AND COPPER-BASE ALLOY RAW MATERIALS

Supply (thousands of short tons, copper content)	First quarter				Second quarter				Third quarter				Estimated supply	Fourth quarter				Year 1951 supply [1]
	Actual supply				Actual supply				Actual supply					Actual supply				
	Total	Jan.	Feb.	Mar.	Total	Apr.	May	June	Total	July	Aug.	Sept.		Total	Oct.	Nov.	Dec.	
Refined copper production:																		
Domestic	285	95	89	101	304	103	100	101	218	81	65	72	260	280	93	95	92	1,087
Primary	246	82	79	85	258	89	83	86	189	69	55	65	240	258	85	88	85	951
Secondary	39	13	10	16	46	14	17	15	29	12	10	7	20	22	8	7	7	136
Foreign	82	29	24	29	67	20	26	21	54	14	23	17	55	51	19	15	17	254
Imports of refined copper	36	20	21	15	60	20	22	18	55	14	22	19	60	69	25	27	17	240
All other refined copper									21		10	11		28	21	1	6	49
Total available refined copper	423	144	134	145	431	143	148	140	348	109	120	119	375	428	158	138	132	1,630
Scrap receipts:																		
Brass mill [7]	89	28	29	32	91	28	32	31	69	23	23	23	85	100	32	34	34	349
Others	129	43	39	47	143	46	51	47	126	47	40	39	108	114	38	38	38	512
Total available scrap	218	71	68	79	234	74	83	78	195	70	63	62	193	214	70	72	72	861
Total copper raw materials	641	215	202	224	665	217	231	218	543	179	183	181	568	642	228	210	204	2,491
Deductions:																		
Export including toll	35	7	15	13	42	17	13	12	22	12	6	4	31	42	9	16	17	141
Refined	33	7	14	12	39	16	12	11	20	11	5	4	30	41	9	16	16	133
Scrap	2		1	1	3	1	1	1	2	1	1	(3)	1	1	(3)	(3)	1	8
For special purposes and non-CMP	65	22	20	23	46	13	19	14	36	17	9	10	30	33	11	11	11	180
Refined [8]	[9] 59	20	18	21	40	11	17	12	27	15	6	6	23	23	8	8	7	149
Scrap	[6]	2	2	2	[9] 6	2	2	2	9	2	3	4	7	10	3	3	4	31
Net available supply for CMP	541	186	167	188	577	187	199	192	485	150	168	167	507	567	208	183	176	2,170
Refined copper	331				352				301				322	364				1,348
Scrap	210				225				184				185	203				822

Stocks of refined copper, end of month, owned by:																	
Refiners	49	54	48		46	48	44		44	43	38			48	49	41	
Brass mills	40	35	35		36	37	38		55	51	50			44	39	50	
Wire mills	18	19	20		21	20	20		27	19	26			27	30	35	
Others	(1)	(1)	(1)		(1)	(1)	7		7	6	6			6	6	6	
Total stocks of refined							109		133	119	120			125	124	132	
Stocks of scrap, end of month	(1)	(1)	(1)		(1)	(1)	56		62	56	53			51	56	64	
Brass mills	22	22	22		19	20	22		22	17	17			19	25	31	
Others	(1)	(1)	(1)		(1)	(1)	34		40	39	36			32	31	33	
Stocks of copper raw materials and metal in process, end of month:																	
Brass mills	175	161	163		159	162	154		142	133	130			131	131	180	
Wire mills	90	86	87		86	86	82		118	107	109			118	124	128	
Others	(1)	(1)	(1)		(1)	(1)	(1)		81	80	67			61	58	65	

[1] Preliminary.
[2] Includes toll.
[3] Estimated.
[4] Includes ingot makers and powder mills.
[5] Less than 500 tons.
[6] Includes powder mills.
[7] Includes Government scrap sent to brass mills under toll agreements.
[8] Includes domestic toll, additions to Government stockpile, and other non-CMP.
[9] Not available.

Source: National Production Authority, Feb. 29, 1952. Metals and Minerals Bureau, Copper Division, Statistics and Reports Section.

Mr. MANSFIELD. The competition seems to be easing and aluminum is becoming supplementary to the copper industry because of the diminishing supply of the red metal.

Mr. ANDERSON. In that connection, Mr. Chairman, I would like again to emphasize this fact: That we do not conceive it to be our function to use the powers of allocation or direction to force substitution of aluminum for copper or indeed aluminum for any other metal, except under the most extreme cases. I think if we were confronted with an opportunity to substitute aluminum for nickel which could be shown to be technically inferior to the nickel, but nonetheless practical, we might easily direct that substitution because of the intense shortage of nickel and its effects on the defense program.

In the case of copper our attitude is one where we are trying as hard as we know how to reach the point where the freedom of choice between aluminum and copper is restored to the businessman's judgment, the place where it should be.

Mr. MANSFIELD. That is all fine, Mr. Anderson. It isn't the question of choice, but a question of necessity. We have, in this country, a number of new copper camps—we have one in Nevada which is a low-grade producer. Thirty years from now every copper camp in this country will be closed down except Butte. That will be running a hundred years from now. The world supply of copper, as well as the domestic supply, is diminishing greatly and substitutes will have to be found.

It appears, in some instances, that aluminum is the metal which supplements the copper industry and is thereby losing a certain amount of its competitive factor.

We understand that you have made the suggestion that the United States sign a long-term contract with the Aluminum Co. of Canada for the importation of 3½ billion pounds of aluminum during the next 7 years. Would you care to comment on that? Is this going to be another Shipshaw deal, as was in effect during the last war? Does this mean that once the aluminum market gets straightened out, we will have to continue to buy aluminum from Canada?

Mr. ANDERSON. I will be very glad to make a statement on this subject, Mr. Chairman, because I think it is very important for this committee to understand exactly what we are now in process of discussing.

I am sure you will appreciate the fact that in working on this metal and on the problems involved in the use of it for defense and otherwise, we have made an effort to pay constant attention to the long-range aspects of the aluminum situation. I wholly agree with you that the copper situation is, on any long-term reading, not a particularly bright one in terms of supply in the same sense that aluminum is. My copper friends tell me that, if we can get in the world 400,000 or 500,000 additional tons during the next few years or on top of the 2,400,000 tons, they would be quite happy. In the case of aluminum, as you know, it is possible to double it with a certain effort and indeed double it again, if necessary.

In looking into the future, therefore, with respect to aluminum, I have made certain suggestions which are not decisions. They have been thrown on the table for discussion with a number of groups, including industry, a group of sophisticated nonferrous metal businessmen, as well as high Government officials. Indeed, next week we

are meeting with leaders of both sides of Congress and we will be doubtless discussing the same ideas with several other groups before any decision is made.

I would like to tell you what those ideas are, in very brief form. It has been suggested by me that further expansion in the supply of aluminum to the extent of 140,000 to 150,000 tons of aluminum in this country, together with contract with the Aluminum Co. of Canada under which that company would agree to increase its exports to this country over what you see reflected on the chart, by an estimated amount of about 150,000 tons a year. The expectation of the Aluminum Co. of Canada for the next few years, without any further arrangements with the United States, at all, would be to export to this country from 100,000 to 150,000 tons annually. The offer which they have made contemplates an agreement on their part to export to commercial buyers in the United States up to 300,000 tons per year beginning in 1955 through 1959, for 5 years. They have requested that should the offer be accepted, the United States Government would agree to buy at then current prices not to exceed 180,000 tons of metal per year for those 5 years if other buyers did not wish to buy it. In effect, that is a parallel arrangement to the arrangements which have been made with the domestic producers under their so-called supply contracts. All the expansion program you see reflected on this chart has been brought about by means of supply contracts under which the producers are permitted to sell at their election the entire output of the expanded plants to the United States Government if they cannot sell it elsewhere.

The United States, in turn, has the right to demand that metal for stockpiling.

In any discussion of the future supplies and demands of aluminum, two things become of greatest possible importance. One is to make as wise an estimate as one can of the future demand for this metal over the next decade in terms of consumption, let us say, per capita. That is a very hazardous and difficult estimate to make, but nonetheless, we have taken a deep breath and have suggested some estimates for discussion of the possible future demand for aluminum.

The second thing that has to be taken into consideration—and this I consider to be the heart of the whole matter—is the question of the national stockpile. You are quite aware, Mr. Chairman, that twice in one decade this country has been caught in a crisis not of its own making. In 1941, we were precipitated into a war. In 1950 we were precipitated into almost a war. In both those instances it was necessary, at breakneck speed to go out and construct new aluminum facilities.

The picture in 1941 can almost be duplicated from this chart.

That effort, at that time would not have been necessary at anything like that speed if at all, had we possessed a very large, comfortable stockpile of the metal. I think, therefore, that the considerations of wisdom or unwisdom of accumulating in this country a large stockpile of aluminum against a possibility that this crisis may not be our last, is something that has to be given the most prayerful and thoughtful analysis.

Mr. MANSFIELD. Then, Mr. Anderson, as I understand it, this proposal with the Aluminum Co. of Canada is, at the present time, just in a tentative stage?

Mr. ANDERSON. It is an offer made at my request by the Aluminum Co. of Canada for our consideration. It involves no financing by the United States Government in any way, shape or form other than the so-called contingent guaranty agreement to buy the metal in the event that other purchasers are not available.

Mr. MANSFIELD. And instead of 3½ billion pounds of aluminum over a 7-year period, what you have in mind under this proposal is 150,000 tons a year over a 5-year period.

Mr. ANDERSON. The actual arrangements with the Aluminum Co. of Canada have to be interpreted in this light. Without any action on our part, it is my judgment that the Aluminum Co. of Canada would export to the United States in any event, from 100,000 to 150,000 tons a year. That metal we, in effect, count upon anyway for our industry. Over and beyond that, an amount of about 150,000 or 175,000 is the additional amount which the Aluminum Co. of Canada says it would be willing to commit itself to export to the United States if the United States was prepared to take this contingent commitment, that that amount of metal, or 180,000 tons of metal, per year, for 5 years, or a total of 1,800,000,000 pounds for the 5 years, was not sold to other parties.

Mr. MANSFIELD. Breaking it down, that means between 750,000 and 900,000 additional tons of aluminum over a 5-year period.

Mr. ANDERSON. That is correct.

Mr. MANSFIELD. This Government is not in any way subsidizing Canadian or other aluminum producers outside this country?

Mr. ANDERSON. Definitely not, except for a few spot purchases of foreign aluminum which have been offered to us and which we are presently negotiating with respect to, and I would prefer not to talk about that very much because the negotiations are not completed, but it has been our feeling that, if we had an opportunity to pick up a small amount or any amount within reason, of aluminum, at this time, because of our shortage, it would be a wise thing to do at a price higher than the domestic price.

Mr. MANSFIELD. Because of the great need of it at this particular time?

Mr. ANDERSON. Exactly.

Mr. EVINS. You mentioned the great national need and you mentioned stockpiling. You did not mention the consideration of cost or price. This 5-year contract, is that going to be based upon present price demands or, if later the situation has softened, will the price be reflected downward, or is it going to be a firm contract over a period of years, based upon present levels?

Mr. ANDERSON. It would be the then current market price quoted by the producers in the United States. There would be no premium or discount inherent in the contract.

I might make one observation on that. The Aluminum Co. of Canada has suggested that, if the United States Government indeed, buys a portion of this—let us say, any part of it—180,000 tons, in any 1 year, and if the tariff on aluminum is raised beyond its present figure, with respect to that amount bought by the United States Government, they have requested an increase of the same amount as the rise in the tariff, which means that the money would go in one pocket and out the other.

Mr. SEELY-BROWN. What is the connection between the Aluminum Co. of Canada and the Aluminum Corp. of America?

Mr. ANDERSON. I am no authority on this subject, but I understand there is no connection. There used to be, many years ago, but I am told at the present there is no connection, as a consequence of the arrangements that I think were litigated out some years ago, but I am frank to say my knowledge is completely second-hand. I do see a good deal of competition between the two concerns, however.

Mr. MANSFIELD. Mr. Dalmas.

Mr. DALMAS. Mr. Anderson, a headline a few days ago stated that Mr. Wilson had called a meeting to discuss the over-all aluminum picture, including the possibility of another round of aluminum expansion. That is, I assume, beyond your December 1953 point that you show on your chart?

Mr. ANDERSON. Yes. That is what I just discussed, being a combination of some increased production here as well as an arrangement with the Aluminum Co. of Canada.

Mr. DALMAS. That hasn't been crystallized, as yet?

Mr. ANDERSON. It is completely in the discussion stage. We are most anxious to bring into focus on this idea all the best minds that we can lay our hands on to judge the general soundess or unsoundness of it. One of the meetings was the one you referred to on Thursday of this week. A number of congressional leaders are meeting with Mr. Fleischmann and myself and with Mr. Wilson at a later part of the meeting since much of the first part he has already heard. We plan to call in fabricators of aluminum shortly and others, perhaps to discuss this same question.

Mr. DALMAS. Did I understand that the present aluminum expansion schedule is being fulfilled?

Mr. ANDERSON. Yes; we are doing everything in our power to see that these plants come in on schedule. As I explained, we have suffered some disappointments and some pleasant surprises. We think that probably there will be some further unpleasant surprises. There always are in a program of this size. We hope for some pleasant surprises as well.

Mr. DALMAS. I am thinking about needed components that go into a plant and how the various parts of the plant are scheduled during the course of construction. Your office sees to it that——

Mr. ANDERSON. We try our best to see to it, but occasionally we run into an unlickable bottleneck, such as the engines for Chalmette and Corpus Christi.

Mr. DALMAS. I do not believe you touched on the bauxite situation. That is the basis of all your aluminum production. How much are we dependent upon foreign suppliers as to bauxite?

Mr. ANDERSON. Very largely dependent. As you know, we have some bauxite in Arkansas and that is being mined to a somewhat limited extent. Those of us who are interested in the long-range picture would like us to see it mined to the minimum extent because it constitutes our only reserve of bauxite within the confines of the United States. Beyond what is mined in Arkansas our supply has come traditionally from British and Dutch Guiana on the north coast of South America and more recently from Jamaica. With respect to the new plants in some cases the additional supplies will

come increasingly from Jamaica. The supplies in Jamaica of bauxite are very large. There are also large, but insufficiently explored supplies, in the Dominican Republic and in Haiti. As far as I know, the bauxite problem in the world will never for certainly the next 3 or 4 decades, threaten to be a bottleneck in aluminum production.

It might be interesting to you to have this comparison, since the subject of copper came up. In the case of copper and many other metals, one of the great problems has been the decreasing richness of the ores which have to be exploited. I understand, for instance, in the large new Porphory deposit in southern Peru, it will be necessary to move about 125 to 150 tons of ore to get 1 ton of copper. The best bauxite requires 4 tons of bauxite for producing 1 ton of aluminum. Even in the lower-grade deposits it does not run much over 5. So you can see there is an enormous difference in the relationship between the natural raw material and the refined metal as contrasted with other metals.

Mr. DALMAS. Just as a matter of interest, we were told the other day by the Iron and Steel Division of NPA, that we were presently producing, I believe 40 percent of the world's total production of steel. How does our aluminum production compare with the world production?

Mr. ANDERSON. It is much the largest. I will supply, for the record, the exact figures which are readily available.

The North American Continent, if you wish, is very much larger than the rest of the world combined.

(Information submitted is as follows.)

1951 production of the North American Continent of approximately 1,300,000 tons was almost double that of all other countries, the output of the United States alone representing over 40 percent of world production.

Data (in thousands of pounds) 1951 production of aluminum

United States (42 percent)	1,674
Canada (23 percent)	893
All other (35 percent)	1,396
Total	3,963

Mr. DALMAS. One more question, Mr. Chairman.

On these limitation orders that we have on aluminum at the present time, a great many of them are for only 30 percent across the board. Do you believe it would be helpful to the economy if it were found possible to increase the self-certification of aluminum beyond the point it is now?

Mr. ANDERSON. I don't know. I do not run the aluminum division.

Mr. DALMAS. I understand that.

Mr. ANDERSON. I do not really consider myself an expert on a question of that kind. My office is fundamentally a policy office. I think Mr. Lynch testified——

Mr. DALMAS. DPA could probably answer that question.

That is all.

Mr. MANSFIELD. Any more questions?

Mr. SEELY-BROWN. In view of the fact that bauxite is the only mineral from which you can get aluminum commercially, at the present moment, is any effort being made to develop processes which would make it possible to get aluminum from any of the silicates, of which we have great quantities?

Mr. ANDERSON. Yes. During the war a number of experimental plants were built, none of which gave any immediate hope for an economical process, although technically it can be done. There is no question about that. There was one plant partially built during the war at Laramie, Wyo., which is being completed now and is designed to carry out further fairly large scale experiments on anorthosite. While it is difficult at this moment to predict figures, we know you can make alumina out of anorthosite. It has been done on a pilot-plant basis. This plant will serve to demonstrate what kind of technical and economical problems we face in looking toward nonbauxitic materials. I have no doubt in my own mind that over the next few decades, sufficient progress will be made in this direction so that increasingly the cost of making alumina from nonbauxitic materials will be lowered toward the point at which they will become competitive. How long it will take someone to discover a process that will be truly competitive, of course, it is impossible to guess.

Mr. SEELY-BROWN. Will you discuss the use of aluminum in high-tension transmission in place of copper?

Mr. ANDERSON. I, again, am not an expert on this matter, but I think I can give you a few facts. For a long time the technical problems of high-tension transmission in aluminum have been thoroughly solved. Aluminum conductor is, in the judgment of the people with whom I have discussed the matter, fully equal technically and indeed, some say, superior to copper. The principal point in its favor is in lower costs. While it is necessary to have a larger volume of aluminum, weight, nevertheless, is about one-half to carry the same voltage. Because of that difference in weight, it is possible to space the towers differently than when copper conductor is used. And I am told that that in itself constitutes as large a saving as any other single factor.

Mr. SEELY-BROWN. In other words, you can see the possibility that aluminum will take the place of copper?

Mr. ANDERSON. It has very largely done so in the newer installations. I was given a figure the other day that might interest you.

One of the businesses in the country was requested to make a quotation on a transmission line as a complete job; that is to say, furnish the material and erect the line and turn it over to the operator. He was asked to make a quotation on both copper conductor and aluminum conductor. He engineered both lines out and his quotation was about $1,300,000 for the copper conductor lines with all towers and all the hardware and everything complete and about six-hundred-thousand-odd dollars for the line using aluminum.

That is perhaps a graphic indication of the savings which are possible.

Mr. SEELY-BROWN. It is my understanding that one of the situations they face in the automobile industry in Detroit is that they have allocated the steel for the construction of a certain number of cars, but the amount of copper that has been allocated would not make possible the construction of that number of automobiles. Can aluminum replace the copper used in that instance in any appreciable degree?

Mr. ANDERSON. Again, with apologies for my amateur standing in this matter, I would say my understanding is this: There is an average of some 45 or 46 pounds of copper in the average automobile, of which

about 20 is in the radiator. About 10 is in the motor generator equipment. The balance is in miscellaneous harnesses and other smaller parts.

I am told that the problem of substituting aluminum or indeed any other metal for the copper in the radiator is a difficult one. The methods of welding aluminum have not as yet been thoroughly worked out in the same sense that a temporary damage to a radiator made of brass or copper can be repaired.

I do know, though, that the motor companies are studying all aspects of the substitutive possibility of aluminum for copper and for other contents of the car, including steel. They are also studying the possibility of the substitution of magnesium for other materials in cars.

I am told the newest Chrysler has 5 pounds of magnesium castings in it as contrasted with a few ounces a year or two ago. So I am sure it is true that the automobile companies are constantly and vigilantly watching the possibilities of substitution of one material for another, not entirely confined to aluminum, of course. What the outcome will be they know much better than I do.

Mr. MANSFIELD. Thank you, Mr. Anderson.

We would like to have copies of the charts and the overlay for the committee hearings when they are printed, to follow your testimony.

Mr. ANDERSON. Ordinarily, sir, I do not print this chart. I have the only one which I use for purposes of this kind. I have printed the underpart of the chart.

Mr. MANSFIELD. If we don't have it, we cannot make much out of the testimony.

Mr. ANDERSON. I could give you the printed underlay without the overlay.

Mr. SEELY-BROWN. Print them as two separate charts.

Mr. ANDERSON. I can do that.

(The two charts referred to are herewith inserted.)

Mr. EVINS (presiding). We will now call Mr. Howard I. Young, Deputy Administrator, Defense Materials Procurement Agency.

The committee will be pleased to hear your statement. You may proceed with your statement or however you wish.

STATEMENT OF HOWARD I. YOUNG, DEPUTY ADMINISTRATOR, DEFENSE MATERIALS PROCUREMENT AGENCY; ACCOMPANIED BY ALBERT H. GREENE, GENERAL COUNSEL, DEFENSE MATERIALS PROCUREMENT AGENCY

Mr. YOUNG. I am happy to appear before this committee and give you such information as you might desire to have in connection with copper and iron ore.

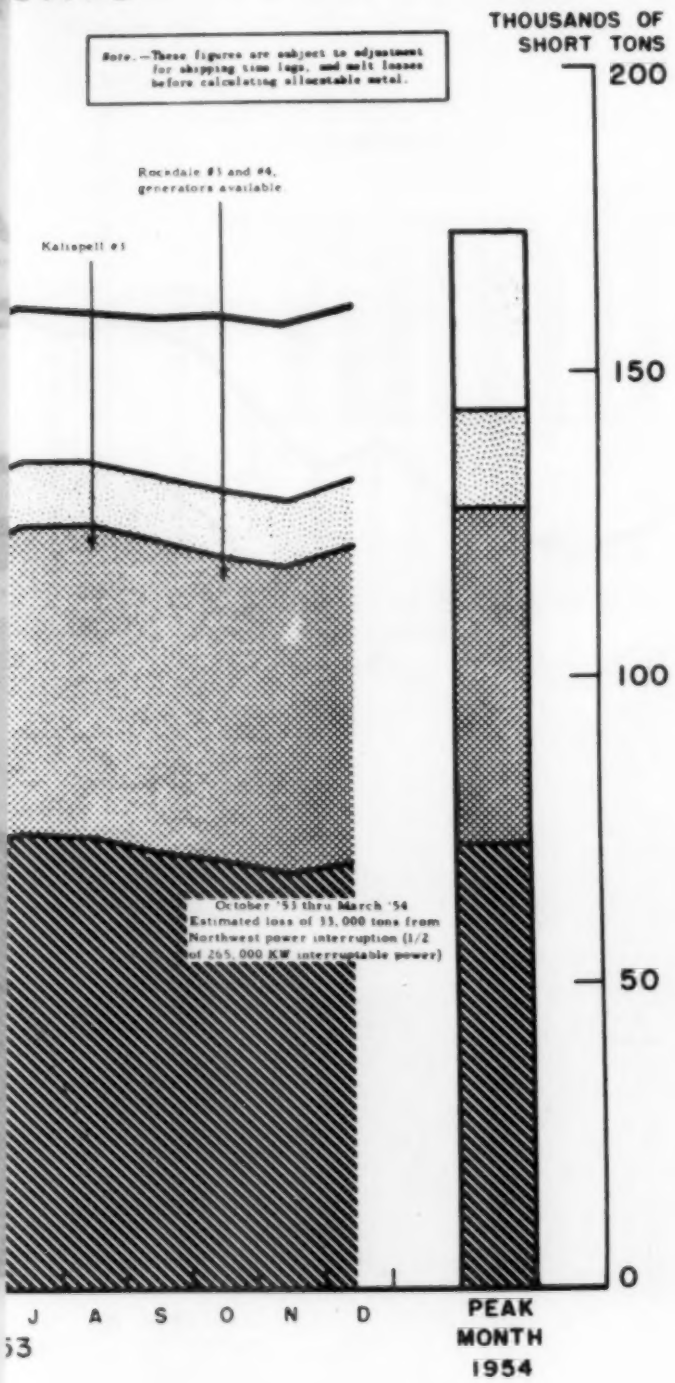
I am the Deputy Administrator of Defense Materials Procurement Agency. Mr. Larson is the Director of our agency.

I have a statement which we have given you, which sets forth a brief statement regarding copper and iron ore. In order to conserve time, I will not read it.

I will be glad to answer any questions or make any statements on our program.

Mr. EVINS. You may proceed however you wish.

ORTS


Note.—These figures are subject to adjustment for shipping time lags, and melt losses before calculating allocatable metal.
THOUSANDS OF SHORT TONS
200
150
100
50
0
Rocsdale #3 and #4, generators available
Kalispell #5
October '53 thru March '54
Estimated loss of 33,000 tons from Northwest power interruption (1/2 of 265,000 KW interruptable power)
J
A
S
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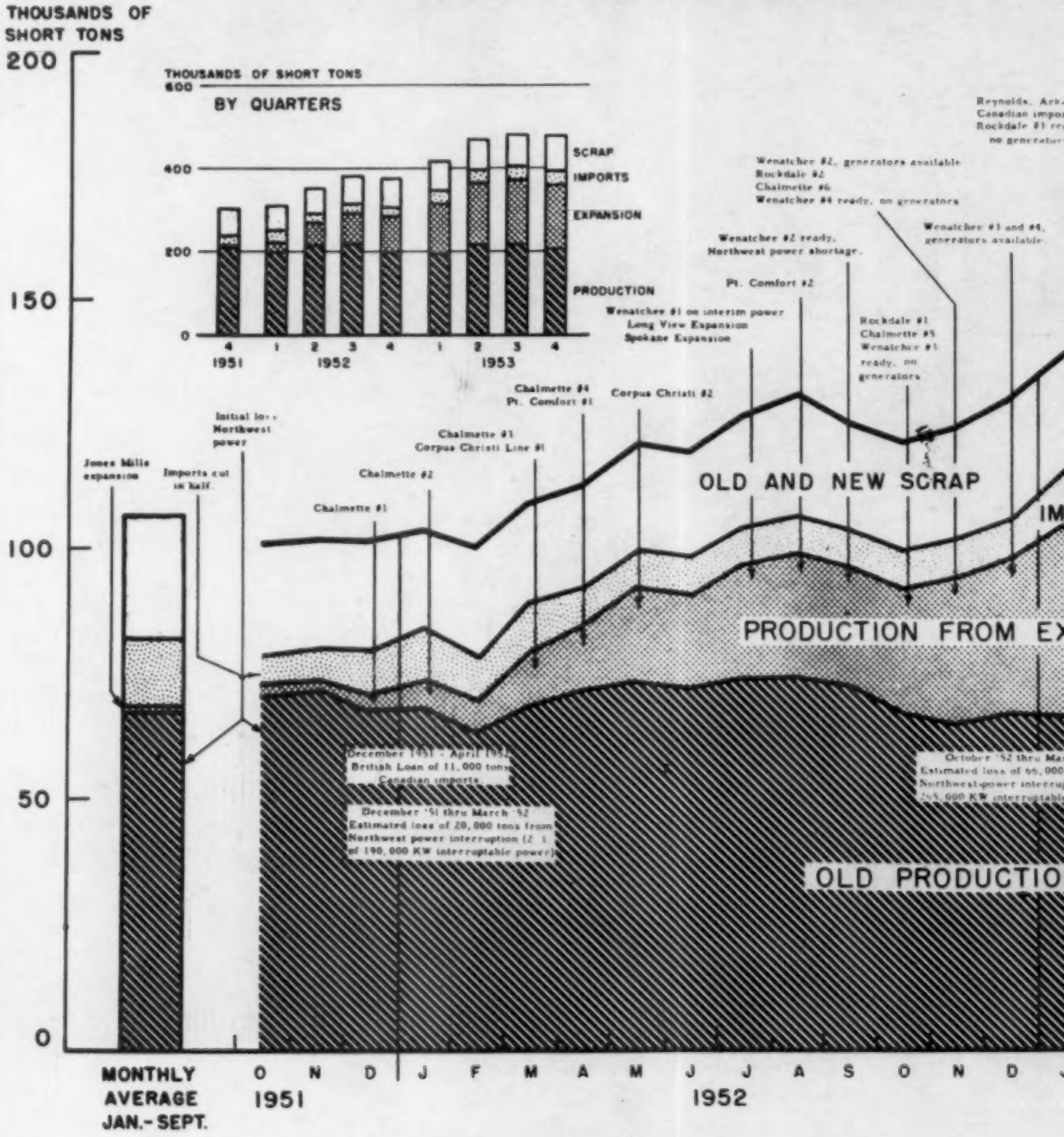
N
D
53
PEAK MONTH 1954

CHART A

ALUMINU

ESTIMATED MONTHLY PRODUC


THOUSANDS OF SHORT TONS
200
150
100
50
0
THOUSANDS OF SHORT TONS
600
400
200
0
BY QUARTERS
SCRAP
IMPORTS
EXPANSION
PRODUCTION
4 1951
1 2 3 4 1952
1 2 3 4 1953
Jones Mills expansion
Imports cut in half.
Initial loss Northwest power
Chalmette #1
Chalmette #2
Chalmette #3 Corpus Christi Line #1
Chalmette #4 Pt. Comfort #1
Corpus Christi #2
Wenatchee #1 on interim power Long View Expansion Spokane Expansion
Pt. Comfort #2
Wenatchee #2 ready. Northwest power shortage.
Wenatchee #2, generators available Rockdale #2 Chalmette #6 Wenatchee #4 ready, no generators
Rockdale #1 Chalmette #5 Wenatchee #3 ready, no generators
Wenatchee #3 and #4, generators available
OLD AND NEW SCRAP
PRODUCTION FROM EX
OLD PRODUCTIO
December 1951 - April 1952 British Loan of 11,000 tons Canadian imports
December '51 thru March '52 Estimated loss of 20,000 tons from Northwest power interruption (2 1 of 190,000 KW interruptable power)
MONTHLY AVERAGE JAN.-SEPT.
O N D J F M A M J J A S O N D
1951
1952

NUM

DUCTION AND IMPORTS

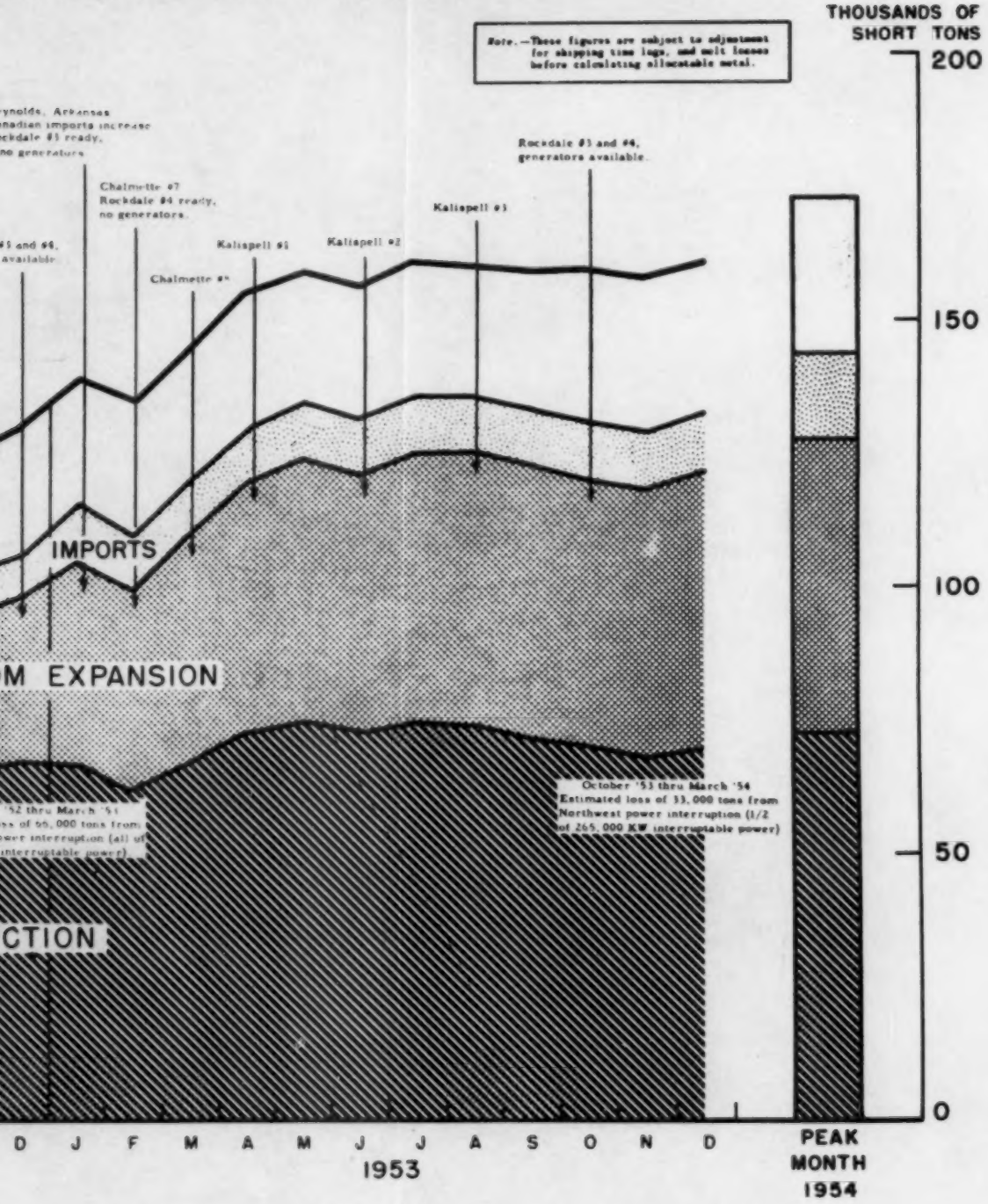
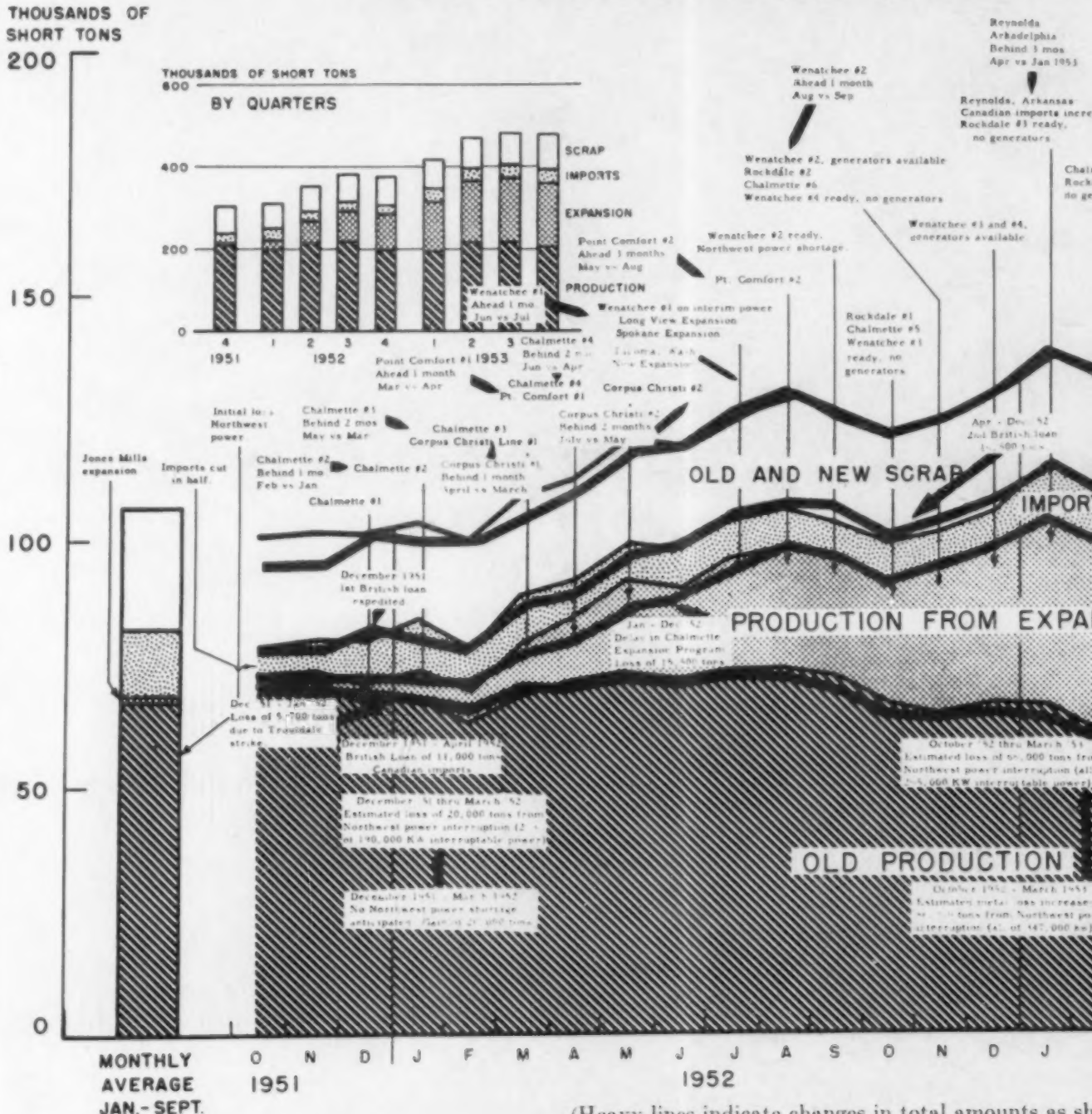

Note.—These figures are subject to adjustment for shipping time logs, and melt losses before calculating allocatable metal.
THOUSANDS OF SHORT TONS
200
150
100
50
0
Rockdale #3 and #4, generators available.
Kalispell #3
Kalispell #2
Kalispell #1
Chalmette #7
Rockdale #4 ready, no generators.
IMPORTS
M EXPANSION
CTION
October '53 thru March '54
Estimated loss of 33,000 tons from Northwest power interruption (1/2 of 265,000 KW interruptable power)
D J F M A M J J A S O N D
1953
PEAK MONTH 1954

CHART B

ALUMINUM

ESTIMATED MONTHLY PRODUCTI


THOUSANDS OF SHORT TONS
200
150
100
50
0
THOUSANDS OF SHORT TONS
600
400
200
0
BY QUARTERS
SCRAP
IMPORTS
EXPANSION
PRODUCTION
4 1 2 3 4 1 2 3
1951 1952 1953
Reynolds Arkadelphia Behind 3 mos Apr vs Jan 1953
Reynolds, Arkansas Canadian imports incre
Rockdale #3 ready, no generators
Wenatchee #2 Ahead 1 month Aug vs Sep
Wenatchee #2, generators available
Rockdale #2
Chalmette #6
Wenatchee #4 ready, no generators
Wenatchee #3 and #4, generators available
Point Comfort #2 Ahead 3 months May vs Aug
Wenatchee #2 ready, Northwest power shortage
Pt. Comfort #2
Wenatchee #1 on interim power
Long View Expansion
Spokane Expansion
Rockdale #1
Chalmette #5
Wenatchee #1 ready, no generators
Wenatchee #1 Ahead 1 mo Jun vs Jul
Chalmette #4 Behind 2 mos Jun vs Apr
Point Comfort #1 Ahead 1 month Mar vs Apr
Chalmette #4
Pt. Comfort #1
Corpus Christi #2
Initial loss Northwest power
Chalmette #3 Behind 2 mos May vs Mar
Chalmette #3
Corpus Christi Line #1
Corpus Christi #2 Behind 2 months July vs May
Apr - Dec '52 2nd British loan
Jones Mills expansion
Imports cut in half
Chalmette #2 Behind 1 mo Feb vs Jan
Chalmette #2
Corpus Christi #1 Behind 1 month April vs March
Chalmette #1
OLD AND NEW SCRAP
IMPOR
December 1951 1st British loan expedited
Jan - Dec '52 Delay in Chalmette Expansion Program Loss of 15,400 tons
PRODUCTION FROM EXPA
Dec '51 - Jan '52 Loss of 9,700 tons due to Troutdale strike
December 1951 - April 1952 British Loss of 11,000 tons Canadian imports
December '51 thru March '52 Estimated loss of 20,000 tons from Northwest power interruption (2 of 140,000 KA interruptable power)
October '52 thru March '53 Estimated loss of 50,000 tons fro Northwest power interruption (all 1,000 KW interruptable power)
December 1951 - May 1952 No Northwest power shortage anticipated Gain of 21,000 tons
OLD PRODUCTION
October 1952 - March 1953 Estimates indicate no increase tons from Northwest po interruption (al of 147,000 kw
MONTHLY AVERAGE JAN.- SEPT.
O N D J F M A M J J A S O N D J
1951
1952

(Heavy lines indicate changes in total amounts as sh

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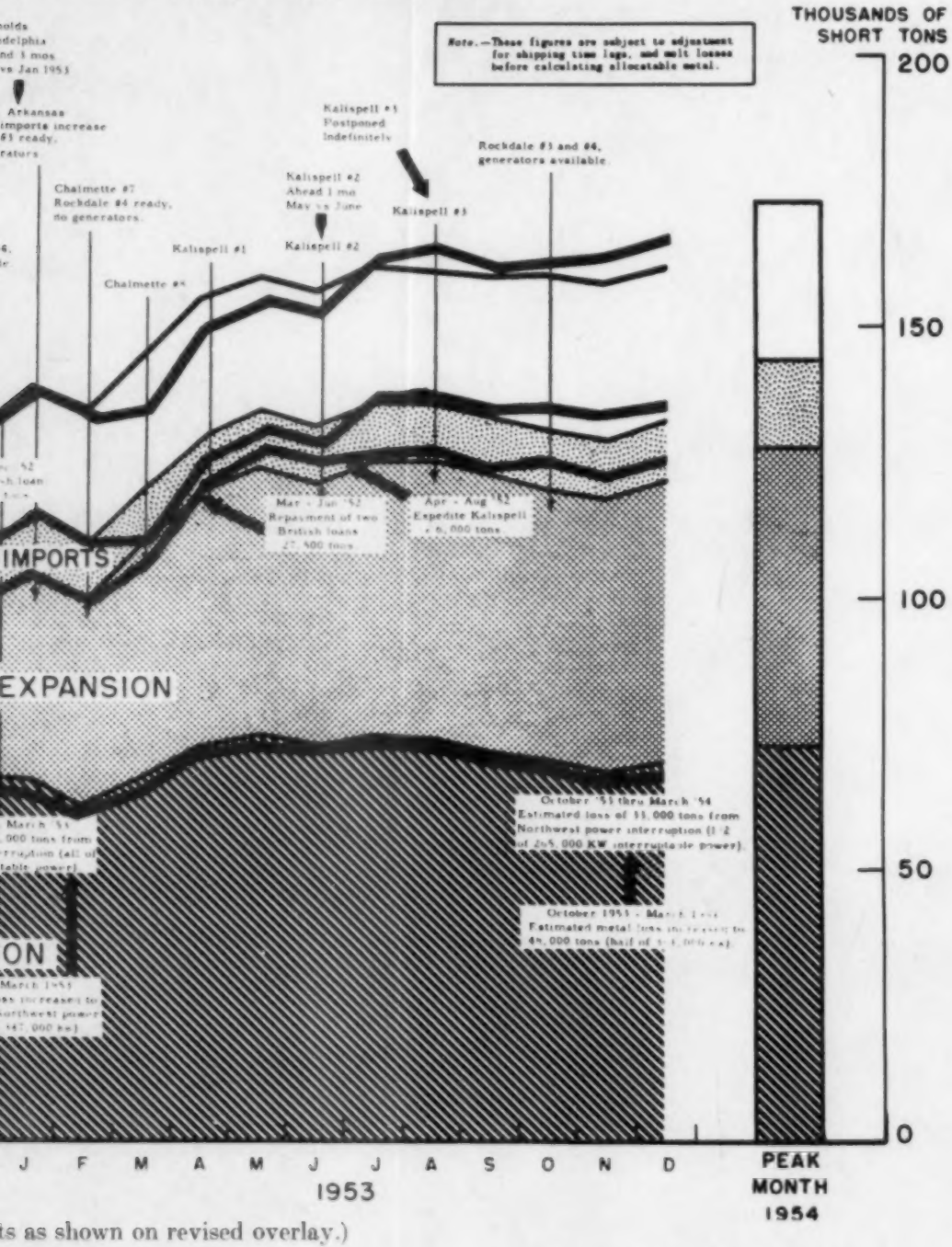
JCTION AND IMPORTS


Note.—These figures are subject to adjustment for shipping time lags, and melt losses before calculating allocatable metal.
THOUSANDS OF SHORT TONS
200
150
100
50
0
Arkansas imports increase
Chalmette #7 Rockdale #4 ready, no generators.
Kalispell #2 Ahead 1 mo May vs June
Kalispell #3 Postponed Indefinitely
Rockdale #3 and #4, generators available.
Kalispell #1
Kalispell #2
Chalmette #5
Mar - Jun '52 Repayment of two British loans
Apr - Aug '52 Expedite Kalispell
IMPORTS
EXPANSION
October '53 thru March '54 Estimated loss of 53,000 tons from Northwest power interruption
October 1953 - March 1954 Estimated metal loss
J F M A M J J A S O N D
1953
PEAK MONTH 1954

ts as shown on revised overlay.)

Mr. YOUNG. Mr. Chairman, members of the committee, I have been asked to appear here today for the purpose of relating to you the functions of the Defense Materials Procurement Agency in the defense program and to describe its operations under the Controlled Materials Plan.

Inasmuch as your committee is primarily concerned with the problems confronting small businesses, I am certain that my remarks should reflect a real interest in that connection. However, now that we are engaged in a rearmament program, all businesses which depend upon supplies of controlled materials are confronted, basically, with the same problem—shortages and controls. Thus, their problems resolve into one of allocation of available supplies. In that regard DMPA has no authority or prime responsibility.

I am advised that the committee desires to be informed today of the progress being made toward increasing the supplies of copper, iron ore, aluminum, and coke. DMPA is responsible for increased production of only the first two of the commodities mentioned. The aluminum-expansion program is presently the responsibility of the Aluminum Division, Defense Production Administration. Coke is the responsibility of the Secretary of Commerce under delegation of authority from the Defense Solid Fuels Administration of Department of the Interior.

Now that the limitations upon the scope of my remarks have been established I will first describe briefly the functions of Defense Materials Procurement Agency.

In organizing the structure to bolster American defenses during the current emergency, the President established the Defense Materials Procurement Agency to centralize activities relating to development and expansion of metals and minerals supplies, both domestically and abroad. The job is to insure, so far as possible, the flow of materials necessary to meet production and stockpile objectives and to maintain the civilian economy. Defense Materials Procurement Agency was made responsible for:

1. Purchasing and making commitments to purchase metals, minerals, and other materials for Government use or resale;
2. Encouraging the exploration, development, and mining of critical and strategic metals and minerals;
3. Making subsidy payments;
4. Serving as a guaranteeing agency for loans to private business enterprises; and
5. Installing additional equipment in Government-owned and privately owned facilities.

In addition, DMPA has responsibilities with respect to granting loans and tax amortization certificates. It also provides priorities and allocations assistance for maintenance, repairs, and operating supplies, equipment, machinery, and for construction projects, and assists the mining industry in obtaining access road, manpower, housing, and transportation. That is the limit of DMPA's concern with allocations of controlled materials. That leaves us with nothing more than a collateral responsibility—that is, to make available a greater supply to be allocated by other agencies.

With respect to the assistance which DMPA may render small business, very little can be said. When we are faced with a situation

involving critical shortages of minerals and metals, it is no time to think of favoring one group over another. We are prepared and anxious to deal with any and every one when it will result in an increase in the production of a scarce commodity. It is difficult for me to envisage a broader or more favorable statement which would serve to forestall criticism from any source. My purpose in the premises is not solely to forestall criticism, but to impress upon the committee my sincerity of purpose.

This, I am sure, is also the sentiment of Mr. Larson, the Administrator of Defense Materials Procurement Agency and General Services Administration. The record of the latter in favoring small business, I am told, is the most impressive of all other Federal agencies but I am certain that the committee is more familiar with those facts than I have a right to be under the circumstances.

Now, to deal with the questions concerning the supply of copper and iron ore, I will start with the supply and demand of those commodities at the outset of the emergency period, state what it is today, and what we can expect in approximately the next 2 years For obvious reasons, complete statistics cannot be stated here with respect to copper. For some time we have consumed all the copper that could be produced domestically and imported. That will continue to be the case during the foreseeable future.

In order to provide a supply of copper adequate to satisfy the defense and essential civilian requirements, it is desired to expand annual supply by approximately 350,000 tons. As you know, this desired goal has not been achieved; although the long-range picture is brighter than the immediate picture. The expansion program for copper was formulated to achieve this goal by the following steps:

1. Bringing production to the peak of existing plant capacity.

(*a*) Existing plant capacity is now being utilized to the fullest extent insofar as the tonnages of ore handled. However, this has not yielded the hoped-for increase of supply. It now appears that a greater supply would be realized if this existing plant capacity were utilized to treat ore of copper content comparable to that treated during the years 1948, 1949, or 1950. It is believed that tax considerations, in particular the effects of the excess profits tax laws, may be responsible in part for this lag in the increase in production. Measures to counter this deterring influence are under consideration in DMPA.

(*b*) Production has been reduced in certain high-cost mines because operating costs are in excess of the price ceilings. It has been necessary to assist these operators in order to maintain the production from their operations. Contracts are being negotiated by DMPA with operators of individual mines to pay the difference between the Government ceiling price for copper and a price necessary to maintain output at the present capacity level. Each individual operation is analyzed and a contract price is agreed upon for a specified tonnage.

In the next few years, with increased allocations for civilian consumption, the situation will become gradually relieved. In 1952, under present restrictions there will be a 15 percent shortage in copper requirements; in 1953 the deficiency will be 18 percent; in 1954 we anticipate a 10 percent shortage; and in 1955, when our expansion

program begins to really show returns, the shortage will be but 3 percent.

In 1949, or prior to the expansion program for defense, the iron-ore consumption was 89.2 million gross tons. In 1950 consumption rose to 106.2 million gross tons, and in 1951 to 116.4 million gross tons. The anticipated requirements in 1952 will be 127 million gross tons; in 1953, 143 million gross tons; in 1954, 146 million gross tons; and in 1955, 150 million gross tons.

To meet the increased requirements for iron ore for defense production, certificates of necessity have been issued to expand production in 1951 by 22 million gross tons, 35 million gross tons in 1952, 36 million gross tons in 1953 and 1954, and 43 million gross tons in 1955. The 1955 expansion includes 5.5 million tons from Canada.

Three certificates of necessity have been issued for taconite beneficiation plants that will expand the production by 300,000 tons in 1952, 500,000 tons in 1953, 700,000 tons in 1954, and 2,800,000 tons in 1955.

The United States is dependent upon the Lake Superior district for 75 percent of its requirements, and providing normal transportation on the Great Lakes can be maintained, our future requirements will be met.

I believe that I have dealt with each of the matters which I was requested to discuss, however, if any member of the committee wishes to ask any specific questions I will endeavor to answer them.

In order to save your time, I will start in by talking about the program. For instance, on copper, which is an item that I know you are vitally interested in, our agency is charged with the responsibility of trying to procure new developments through new mines or from such sources as we can secure the quantities of the various commodities that are specified in the programs by Defense Production Administration.

We have just received a statement from the Deputy Administrator, Ralph S. Trigg, of the Defense Production Administration, giving us the goal to reach, beginning with the year 1955, covering the copper, including ore, imports and old scrap, which is desired at that time, and I am very happy to advise this committee that at this date we have either already certified through our recommendations to DPA and their recertification, or asked them for certification on projects that are now pending of sufficient amount of copper to meet the program in 1955.

Mr. EVINS. When you say you have certified to DPA a sufficient amount, you mean you have that required amount available?

Mr. YOUNG. We will have in 1955. They are new projects. As you are thoroughly familiar with the copper buying from the time you start in to develop one of the large ore bodies, such as the White Pine in Michigan, which we have—the RFC has made a loan of $57 or $58 million to bring that into production. That property will be in production with some copper in 1953, more in 1954, and by the end of 1954 will be up to what they consider their maximum annual capacity.

Take the San Manuel, which is now in DPA for final certification. That will be in production in 1954 at half capacity and full capacity in 1955.

Those are major projects. One requires 58 million and the other will require 101 million to bring them into production.

Mr. EVINS. Those are domestic sources?

Mr. YOUNG. Yes.

Then we have the Yerrington mine which is an Anaconda low grade production, which will be partly in production in 1953 and increasing in capacity in 1954. Then we have the A. S. & R. Silver Barrel in Arizona, which will be in production in 1954 at maximum capacity at the end of the year. We have the Copper Cities property in Arizona that will be in partial production in 1954 and full production in 1955. We have the Phelps-Dodge Nevada properties that will be in about three-quarters production in 1954 and full production in 1955.

So our copper picture by the end of 1955 will be, assuming that all of the requirements that they have estimated will materialize, that we brought in at this date, dressed 3,000 tons a year out. We know of other projects that will be brought in that will bring it up to the goal as set at this time by Defense Production Administration.

Mr. SEELY-BROWN. But you won't be out of the woods until 1955?

Mr. YOUNG. We will not be out of the woods until 1955. We are short of copper, as you very readily know, for 1952. We are short for 1953. In 1954 we will be in a materially improved position. In 1955 we will be all right.

Mr. SEELY-BROWN. Are we exporting any copper at all?

Mr. YOUNG. The only copper we are exporting is that which we bring in, some foreign copper, for refining, and then ship the refined copper back to the country that it originally came from. That amounts to approximately between a minimum of 4,000 and a maximum of 10,000 tons a month, varying on the amount that comes in.

Mr. SEELY-BROWN. In other words, the only copper we are exporting is copper which is being brought into this country for refining?

Mr. YOUNG. There is no domestic copper in any substantial quantities being exported. I have understood there is one mine up in New England that had sold their copper because they had to have much higher than our price at which to operate. That mine sold its copper to a foreign country at materially above our present price. That is the only property that I know of that is doing that—domestic property.

Mr. SEELY-BROWN. But no domestic copper as such, other than the case you mentioned, is being shipped out of this country?

Mr. YOUNG. Except in fabricated items. It may be that some of the military might take copper and ship it to some of these foreign countries for their military programs—I don't know.

Mr. SEELY-BROWN. How about under our various foreign aid programs, are they shipping any copper out under those programs?

Mr. YOUNG. I have no information regarding that. That would come from Mutual Security. They would be the only one that would be doing that. I think they would be buying foreign copper. I don't know.

Mr. SEELY-BROWN. When you determine the copper needs of this country and you project these needs to 1955, I am wondering how much of that copper, Mr. Young, is going to be used outside of this country.

Mr. YOUNG. The figures I have indicated there is no tonnage at all going outside the United States from our own production. The only thing that is going outside the country is that which we bring in here and refine and then ship the refined copper out. Part of the Mexican production comes in here for refining and that is shipped out in line with the orders of the Mexican producers.

Mr. SEELY-BROWN. Where is it shipped back to? Mexico?

Mr. YOUNG. Part of it goes back to Mexico, part to Japan and maybe other countries. Part of it stays here. Not all of it.

We are heavy importers of copper, as you know. We try to bring in at the rate of 500,000 tons a year. Last year our imports were reduced on account of the fact that the world price of copper was substantially above our American price, so imports were the lowest we had in the last 2 years. It was approximately 200,000 tons below 1950. That was really responsible for our severe shortage in 1951.

Mr. SEELY-BROWN. The reason I ask the question is that it is my understanding the Mexican Government has not allowed any copper to go out of Mexico until the domestic needs of Mexico are met. Whether that is true or not, I do not know. I have been so informed. I wonder whether, in this country, we have taken the same attitude.

Mr. YOUNG. Their consumption of copper is rather small, between a thousand and two thousand tons. That is what it is a month. Their total production is between five and six thousand tons. They have fabricating plants down there for using part of their copper. They fabricate that in Mexico. They bring some of the blister copper in here. That is the copper that needs to be refined in the United States. Part of that might go back to Mexico. I do not know of any Government regulations such as you refer to.

Mr. EVINS. Is your agency conducting any program, Mr. Young, at this time, exploratory programs for other ore bodies?

Mr. YOUNG. Yes. The exploration for new ores is under the Department of the Interior. That refers to the drilling program and anyone who has a potential copper or zinc or lead or any other mineral that comes within a defense program, can secure from the Department of the Interior the defense materials exploration authority, a cooperative exploration program, and there are a number of those being conducted at this time.

Then, when they get to the development stage where they have indicated ore and want to sink shafts or equip the property, we step into the picture and we are assisting a number of properties. Most of them are the ones that I have mentioned here. There are some small ones.

If a copper miner has been in production say, during the year 1951, and on account of increased costs of labor and supplies and other items, he cannot produce under our ceiling price of 24½ cents, we give them, Mr. Congressman, sufficient aid to keep them in production at the maximum rate.

You might be interested to know that at this time our assisted maintenance of production in 1952 will amount to, in round figures, 19,000 tons of copper. In 1953 that will be reduced somewhat on account of the fact that some of the mines we are helping this year will be worked out next year.

Mr. EVINS. Are you speaking of loans for exploratory work?

Mr. YOUNG. No; where we pay them over the ceiling price. A mine comes in that cannot continue to produce at the 24½-cent rate. We go thoroughly into their mining operations, their costs, and determine that they are in line, and then we set a price agreeable with them that will keep them in production at maximum rates.

Mr. EVINS. To what extent is your agency making loans for exploratory work at the present time?

Mr. YOUNG. For exploratory work, that is entirely up to the Department of the Interior. That is exploration work. The RFC is making some loans for development and for equipment. We are making some production loans. We have no production loans in connection with any copper at this particular time.

Our method of buying is, we usually find that most of these copper projects can either finance themselves or they need a large amount of money—one or the other—and in either case we try to work out with the owner a floor price that will return to the owner, whether he has borrowed the money or put up his own, a certain part of the investment within a reasonable length of time, guaranteeing, for instance, as we have done in two projects, that we pay above the present OPS ceiling price, which is 24½ cents. We pay those two 25½ cents. One of them is the Michigan case and the other is the Yerrington case. Both of those required a cent above that in order to justifiy their putting money in to develop the property.

Mr. EVINS. Do you care to make any comments on the proposal that the United States enter into a long-term contract with the Canadian Aluminum Co. in line with the testimony that Mr. Anderson just made?

Mr. YOUNG. Well, I think probably that our job is procurement, and I think Mr. Anderson is in charge of that and he is doing a good job. I might make a personal comment, but I do not think I should do that.

Mr. EVINS. How about purchase contracts for minerals? Have there been a great number of those made, applications filed?

Mr. YOUNG. For metals? We cannot buy minerals as such in these nonferrous metals, but we buy metal under contracts as I have just mentioned to you. The miner will have an arrangement with the refiner so that the Government will have metal offered to him and, if they cannot sell that metal above, or at a price equal to, or a price estimated in the contract, we take that and put it in the stockpile. We have large commitments for various metals on that basis.

Mr. SEELY-BROWN. In other words, yours is the responsibility of getting the metal?

Mr. YOUNG. That is right.

Mr. SEELY-BROWN. Yours is not the responsibility of deciding what is done with the metal after it is gotten?

Mr. YOUNG. No, sir. We have nothing to do with that.

Mr. EVINS. Your testimony shows that in '54 and '55 the situation will be very bright and we will be in a good condition, but as of the present time——

Mr. YOUNG. In '55. We will not be in balance in '54. I want to say this. That assumes that the rate of consumption of copper for civilian purposes will be kept at the high rate of 1950, which is substantially above the rate of 1951. That is the civilian requirement. Assuming that, which is the highest rate that we have ever obtained

in the history of the copper industry, we maintain that rate in 1954, we will not have enough copper to go around. Also, we assume that our imports do not change over what they are at this time.

Mr. EVINS. In view of the fact that we will not have enough, that there will be a shortage and it has been shown that aluminum can and is being used as a substitute, I think it would be well for you to make a comment on this proposed long-term contract, since aluminum, of necessity, will have to be used as a substitute, and we are experiencing this shortage.

Mr. YOUNG. I am very glad to make a statement on that, if you wish. It is my judgment that looking at it from an over-all picture, it would be good business for this country to make a contract with Canada on the basis as outlined by Mr. Anderson and rather than to encourage a lot of new productive capacity in this country, when we can get it from our neighbor to the north who will have the productive capacity at the market price.

I understand from the testimony that we will buy it at whatever the market price is. We will buy it at the then prevailing market price.

Mr. SEELY-BROWN. As you look at the present situation as of today, where our military is spending about half of the money that is being allocated to them—I believe that is correct.

Mr. YOUNG. That is correct.

Mr. SEELY-BROWN. We have allocated them money, as I have said earlier, to the extent of $7 billion a month. If they spent that money, that full amount—now they are spending half of it—if they spent the full amount that they were authorized to spend, what would happen to our copper situation?

Mr. YOUNG. To our copper situation?

Mr. SEELY-BROWN. The present supply. Could they spend $7 billion a month? Do we have enough copper for them to spend that sum in their over-all expenditures?

Mr. YOUNG. That would depend on whether the military used copper to a very great extent in their ammunition program or whether they used steel, as they say they contemplate using, providing they develop steel to the point, I understand, where they have almost reached. The military would have to give you the correct information on that matter. Assuming that they carry out the program that they have given to us, we will have enough copper to take care of whatever program they might have, but we will have to take some of it out of the hides of civilians or out of our stockpile—one or the other.

Mr. SEELY-BROWN. Frankly, sir, I am concerned about it because I think, in view of pressures which will develop in the next few months and reach a peak in November, people are being told that they can have both guns and butter. I am just wondering if we are completely honest with the people by trying to encourage them in that thought. I can realize it is a politically popular thought to advance, but I am wondering whether, by the same token, we are being completely honest with the people.

Mr. YOUNG. I think this is true. As you gentlemen are more familiar than I, the requirements of the military have a habit of very wide fluctuation and in these copper figures they are set out at 2½ times what they used last year. If the military program is changed from time to time, if it is cut down, we may have more copper for civilian use. If the military need it, they will have to take it. But I

think you realize, the same as those of us who are civilians, that the ammunitions program, unless we have an all-out war, we can make a lot of ammunition in a short length of time, and we won't take a lot of raw material for ammunition. As to guns and tanks and things like that, the amount that is used in that would go forward.

Mr. EVINS. Any further questions?

Mr. Dalmas.

Mr. DALMAS. Mr. Young, your agency is listed as a claimant agency under the defense production set-up. What do you claim for?

Mr. YOUNG. We claim for the supplies and the materials and equipment necessary to bring the plants that we certify into production for all the strategic metals that are so classified as strategic by the armed services. For instance, these new copper projects are examples. These taconite projects require enormous amounts of electricity, as much electricity as a city of 125,000 people. Our claimant representative tries to get the material for bringing in all these new projects—copper, lead, and zinc, and iron ore, and all the various strategic materials.

Mr. DALMAS. Who makes the decision that you are going to go into one of these projects—DMA or DMPA?

Mr. YOUNG. The procedure is as follows: You have a copper project. You bring it into DMPA. We make an examination of it. First, we send out to have the records, maps and other information checked by field men from the United States Geological Survey and the Bureau of Mines. Assuming that we find you have the ore bodies that your report indicates, then we make a careful analysis of that along with your representatives to determine what is the most constructive program, how soon it can be brought into production, what is the most economical rate of operation to bring it into production.

Then, after we have determined all of those factors, we will certify that over to DPA, and after they have had it, they tell us whether they certify it back to us. If they certify it back to us, then we make the contract.

If it is a loan from RFC, it goes over to RFC before it makes the contract. Assuming it is a company that can finance itself, we make the contract and then from all of the factors that we have collected in making that examination, our claimant agency knows what we need. If this project requires a substantial amount of power equipment or a substantial amount of other such equipment, it goes over to the power department. They concur in it before we make the final contract.

In other words, you, as the owner, will know that they have determined, to the best of their ability, all the materials you are going to need will be forthcoming as near as the schedule that we have developed with you, as possible.

Mr. DALMAS. How are you faring in the distribution of materials for your projects?

Mr. YOUNG. Fairly well.

I will answer on this basis. There are very few requests that have come back to either Mr. Larson or to me for equipment that isn't coming forth. This is true. On some of these projects we are just getting under way and we may find there are some delays, but so far, we are getting along pretty well.

Mr. DALMAS. What percentage of small business is involved in these projects? Are you taking care of that situation?

Mr. YOUNG. Most of the small business, so far, that have applied in copper, we will say, have been those companies that are operating a mine that cannot continue to operate under our present ceiling price, and those properties were taken care of by giving them a price, whatever was necessary, up to a maximum of 35 cents, which is our maximum. That is, up to 35 cents a pound, to keep them going at maximum during the life of their property or for a period of 2 or 3 years, whichever it may be. If they have a mine which has a life indicated of 3 years, we will make a contract for 3 years so as to keep them going to get every pound of copper available from every source.

On the claimant agency end for such people, we have such common things as tin cans. We have more difficulty getting tin cans for the copper industry than anything else.

We get all the various supplies for everyone that needs them. We have heard of no small operator that has curtailed their production on account of not getting their supplies to operate.

Mr. DALMAS. Before DMPA was set up there was considerable criticism, as we went around through the country and held field hearings, about the interminable delays in passing these things back and forth between NPA, DPA, RFC, and what have you. Have you streamlined that process to any extent?

Mr. YOUNG. We are trying to streamline it. I can assure you of that. We are speeding it up as fast as we can. But I will tell you, frankly. I am an industry man, as you know. With all the speed-up we have accomplished so far, it is still to me, slow. But we are trying to get it through just as fast as we can. You know all the various steps we have to go through in order to meet all the requirements that are set up in the Government agencies.

Mr. DALMAS. One reason I asked that is that some of the complaints we received last July, we still have with us.

Mr. YOUNG. Some of them I would appreciate if you would tell us about them. You would do us a favor. Some of those we have turned down, that their project does not come under the program. Then they come around to people to try to get them to see if they cannot get it opened. We may have some of those that you refer to, but we have some backlog, I am sorry to say. We still have some backlog that we inherited as far back as July, but not very many cases. We are trying to turn out more cases than we get in right along, and try to get up to date. I am hopeful we can get enough help down here so as to have all of these out of the way by the 1st of July.

One of our big problems is getting people to come down here and help us. It is a tremendous problem to get people to come down here and help us.

Mr. SEELY-BROWN. Why?

Mr. YOUNG. A lot of industry does not want to loan any of their men to come down here. With industry operating at the maximum rate it is today, all those people who are not retired, who are able-bodied, have jobs. We take on retired people as fast as we can get them. It is just a difficult job to get them.

Mr. SEELY-BROWN. The people in executive capacity?

Mr. YOUNG. That is right. Or engineers. It is difficult to get engineers. What we need, as you can very readily appreciate, is

engineers, people who know the mining business. There isn't a large number of them in the first place. All of them that are in good health are employed at much better positions than we can offer them down here.

Some of the companies have loaned their men. I am on loan down here from our company.

Mr. DALMAS. What is your company?

Mr. YOUNG. The American Zinc, Lead & Smelting Co.

Mr. SEELY-BROWN. What is being done to develop our sources of copper in areas outside the United States?

Mr. YOUNG. I will tell you exactly what is being done. In Canada, we have a proposition that we expect to get certified that will bring in 25,000 tons of copper a year, beginning in 1955. That is a new mine up there. We are considering a property in northern Rhodesia. That is in Africa. We are also considering one in southern Rhodesia. We are considering one in Uganda. Those are the only foreign ones.

Mr. SEELY-BROWN. Are those being developed by private industry?

Mr. YOUNG. Those are all being developed, or have been developed, to the present stage by private capital raised in the foreign countries. Let's take this property over in Uganda. That property is property from which we will receive a substantial amount of copper and a substantial amount of cobalt, which we need very badly. We will go about 50–50 on that property, the way it looks. They have already spent between three and four million dollars and it will probably cost another twelve to fourteen million dollars to bring it into production. We will probably arrange or recommend that they borrow from the Import-Export Bank, $7 million and they will raise the other $7 million. Then we will give them a contract at the market price or at a price substantially below our floor price.

As I recall, they can make copper for 18 cents a pound, and they can make cobalt for $1.80 a pound. We will put the price on those in line with what it takes to do the job. We are doing that there in Canada, where we will work that out on whatever basis it seems will be required in the way of price. It looks like 21-cent copper.

Mr. SEELY-BROWN. What is the company that is doing the work in Canada?

Mr. YOUNG. It is known as the Campbell-Chibougaman-Merril property. I do not have the corporate name.

Mr. SEELY-BROWN. Is it a Canadian company?

Mr. YOUNG. It is a combined American and Canadian. Mr. Arthur Knotman, who is one of the outstanding consulting engineers on copper, is interested in this property.

Mr. EVINS. Our Government is making a loan through RFC or making capital available through the Import-Export Bank and then we guarantee them a price after we produce it?

Mr. YOUNG. That is right. I think that is fair. You gentlemen know it is difficult with all the uncertainties we have to go to private financial institutions, banks, and to make a loan on some of these mining propositions. I am a miner. The mining industry does not stand well with the banking fraternity, as most manufacturing businesses do. It is considered more of a risk. Therefore, the Government, in order to get the material we need, must try to get it the best way it can, and the best way seems to be to put up part of the money and also give them a floor price.

Mr. SEELY-BROWN. What guarantee do we have that we are going to get the copper from Canada?

Mr. YOUNG. We have this guarantee. Thus far we are not loaning Canada any money. We will buy a certain percent of their copper, at 21 cents or 22 cents, whatever it will be.

Mr. EVINS. Are there any further questions?

Mr. Dalmas.

Mr. DALMAS. I have no further questions.

Mr. YOUNG. If we have international allocations of these various things, we have no guarantee, unless it is a rule of the IMC that everything we finance we are going to get X percent of plus our allocated amount.

Mr. SEELY-BROWN. Who makes the allocation?

Mr. YOUNG. The representatives of IMC.

Mr. SEELY-BROWN. Under what authority does IMC operate?

Mr. YOUNG. I will let our general counsel, Mr. Al Greene, tell you.

Mr. GREENE. I am at a loss to answer that right now, but I could look into that and let you know.

(See testimony of Manly Fleischmann, pp. 757–764. Also exhibits 29, 30, 31, and 32 in the appendix).

Mr. SEELY-BROWN. I am interested in this allocation of copper. In what form is it allocated?

Mr. YOUNG. In the refined form, refined copper. That is available to the manufacturer for fabricating into the finished item.

Mr. SEELY-BROWN. The copper is allocated under IMC. That would indicate that copper in itself, in its refined form, then is being made, whether you want to call it exported or not, it is still being made available to sources outside of this country.

Mr. YOUNG. Yes. We are talking about Canada. You are asking about Canada?

Mr. SEELY-BROWN. That is right.

Mr. YOUNG. That would be refined in Canada and then come here.

Mr. SEELY-BROWN. Could it go anywhere else?

Mr. YOUNG. It could go some place else if it isn't allocated here. Sure it could.

Mr. SEELY-BROWN. If it can go from Canada some place else, how about the copper right in this country?

Mr. YOUNG. The copper in this country, you have to get export licenses on every pound of copper that goes out of the United States, or any of our other critical materials. A license would not be issued by OIT for exporting our copper. They do not give any now except probably in the case of the one company I mentioned a while ago.

Mr. SEELY-BROWN. What copper does IMC allocate?

Mr. YOUNG. IMC allocates the world's production of copper. I think it is known as International Materials Committee. They meet quarterly. They know what the world's production of copper is. Each group reports what their production is going to be of new copper and that is allocated to the various countries and based on their historical use.

I am not an expert on it. All I know is what I have heard about it.

Mr. SEELY-BROWN. Do you feel the IMC has allocated a sufficient amount to the United States?

Mr. YOUNG. We are in a rather awkward position in this. Every country outside the United States has a higher price than we have.

We have an allocated amount to get in the world and we havd a fixed price to get it at. Anyone else can get it at whatever price they want to pay.

Mr. DALMAS. Do you think much of that copper is going behind the iron curtain?

Mr. YOUNG. I understand that some of it is, but not in substantial quantities.

Mr. DALMAS. Who puts the limitation on price that we pay in the world market?

Mr. YOUNG. OPS. We are paying 27½ cents.

Mr. DALMAS. What is the world market price today?

Mr. YOUNG. The world market price today—the lowest I have heard of is 31 cents and the highest is 35 cents.

Mr. DALMAS. We are paying 35 cents for domestic copper.

Mr. YOUNG. Only to keep mines in production. We give them a subsidy above 24½ cents in order to keep them in production.

Mr. DALMAS. I am trying to get the reason why, when the copper which we need so badly is going down the drain somewhere else, we are not willing to pay 35 cents in the world market.

Mr. YOUNG. I think if we pay 35 cents in the world market, we certainly should pay our domestic producers more money, also. The OPS regulation has set 24½ cents, and that is what it is.

Mr. SEELY-BROWN. Does the OPS determine the price? Where does the 21-cent figure come from?

Mr. YOUNG. I mentioned 18 cents on Uganda and 21 cents on Canada. If we find that you can produce and make a reasonable profit at 21 cents, that is what we fix the selling price at, the floor price. We will protect you to that. On Uganda it will be 18 cents.

At White Pine it is 25½ cents. On some of them it is down as low as 22½ cents.

We are doing everything we can to get the material at the price which is fair to everybody including the United States Government.

Mr. SEELY-BROWN. But did you say you were limited as to the price you could pay for copper that was brought into this country?

Mr. YOUNG. That is right.

Mr. SEELY-BROWN. Was that price 21½ cents and 24½ cents for domestic production? We have authority to keep certain plants going in copper and lead and zinc by subsidizing them.

Mr. DALMAS. How many ECA dollars have we put into these other countries to develop copper mines and refine copper that we now cannot buy at a reasonable price?

Mr. YOUNG. I would say this. Most of our foreign copper comes from Canada, Mexico, Chile, and Peru. I do not think we put any ECA dollars into those countries. I do not believe so. American capital has developed all of the mines in Chile, Peru, Canada, and Mexico. I think that is true.

I want to make one statement because of the question that was asked of Mr. Anderson about the foreign supply of bauxite or aluminum. The North American Continent—Mexico, United States, and Canada—can, in case of an emergency, produce and refine within their own boundaries for entire movement by rail, more copper than was ever dreamed of being used along with the scrap we have in any emergency that we have thus far had. By restricting the use for

civilians, if we were to have an all-out war, we would have sufficient copper.

I thought you would be interested in knowing that because of all the statements that have been made in the press, and so forth, about the fact that we were never going to have copper and what a dangerous position we were in on copper.

Mr. EVINS. You give a very encouraging picture, then, as regards the supply of copper in case of an all-out emergency?

Mr. YOUNG. Yes.

Are there any other questions on copper?

Mr. SEELY-BROWN. I would like to ask you a question still on this IMC. If we are allocating copper to other nations of the world, not we, but if the IMC is allocating copper, we certainly are represented on that Board.

Mr. YOUNG. That is right.

Mr. SEELY-BROWN. I am just wondering which costs us more money, if you have to translate it in terms of money, whether it is wiser to pay a higher price for some of that copper and as a result keep our people at work, or whether we are biting off our noses to spite ourselves in refusing to pay that higher price and let people in this country stay out of work, which costs our country money. Which of those procedures costs our country more in the long run?

Mr. YOUNG. It would be cheaper to pay the price of copper.

Mr. SEELY-BROWN. You are right; it would.

Mr. YOUNG. There is no question about that.

Mr. EVINS. You make an excellent statement on this.

Mr. YOUNG. Do you want any information on iron ore?

Mr. EVINS. We may have to schedule some further hearings. I am acting for Mr. Burton, who is the chairman of the subcommittee. We will have to adjourn to meet with the House in 10 minutes.

Mr. DALMAS. Do you have some iron-ore figures in your statement?

Mr. YOUNG. That is right.

Mr. DALMAS. I think that will be sufficient, Mr. Chairman.

Mr. EVINS. You have your written statement to present for the record.

Mr. YOUNG. Yes. If you want any further information or desire to have me come back, I will be very happy to do so.

Mr. EVINS. Thank you. The meeting will adjourn.

(Whereupon, at 11:50 a. m., the subcommittee adjourned to reconvene at 10 a. m., Wednesday, March 12, 1952.)

PROBLEMS OF SMALL BUSINESS UNDER THE CONTROLLED MATERIALS PLAN

WEDNESDAY, MARCH 12, 1952

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE SELECT COMMITTEE
TO CONDUCT A STUDY AND INVESTIGATION
OF THE PROBLEMS OF SMALL BUSINESS,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 304, Old House Office Building, Washington, D. C., Hon. Clarence G. Burton, chairman, presiding.

Present: Representatives Burton (presiding), Abraham J. Multer, Horace Seely-Brown, Jr., and Thomas B. Curtis.

Also present: Victor P. Dalmas, executive director, Arthur F. Lucas, and Duncan Clark of the committee staff.

Mr. BURTON. We will call the meeting to order. This morning we are to hear from Mr. W. C. Truppner, Assistant Administrator for Production and Distribution Controls, and Mr. George A. Steiner, Director, Requirements Committee Staff, DPA.

STATEMENT OF W. C. TRUPPNER, ASSISTANT ADMINISTRATOR FOR PRODUCTION AND DISTRIBUTION CONTROLS, DEFENSE PRODUCTION ADMINISTRATION

Mr. TRUPPNER. Do you wish me to read my statement?

Mr. BURTON. I think it would be well to read your statement. I think we will have both statements and then we will go into the question period for the two of you.

Mr. TRUPPNER. My name is W. C. Truppner, and I am Assistant Administrator for Production and Distribution Controls, Defense Production Administration. In response to your request I should like to make an initial general statement to bring up to date my testimony of October 18, 1951, before your subcommittee.

Since that time the NPA has issued a rather substantial number of amendments, revisions, and directions to the CMP regulations. Almost all these have been very minor in character and were directed at solving particular problems that arose in the operation of the Controlled Materials Plan. My answers to your specific questions will, I believe, cover the more important of these changes.

On the other hand, a number of developments have taken place which have resulted in a much smoother and more effective operation of CMP. If I may, I should like to refer briefly to the procedural changes which, in my judgment, account substantially for the improvement in the operation which has occurred in recent months.

First, the entire control system is presently based on a substantially improved set of requirements data. The development of an experienced staff in the DPA's Office of Program Requirements together with the experience gained by the claimant agencies' personnel have combined to make it possible to make program determinations reflect genuine program requirements to a much greater degree than in the initial phases of CMP. The realism of the present program determinations, in turn, provide a sound basis for the functioning of the control system.

Second, the establishment of control and bookkeeping procedures, both within the Federal agencies and in private business, has resulted in effectively maintaining purchase order volume within the allotment levels prescribed under CMP. You will recall that in my testimony of last fall I pointed out the dependence of the effective functioning of a control system on the development of the necessary procedures by private companies so that they could discharge their obligations under the general regulations.

Third, the issuance of direction 7 to CMP Regulation No. 1 on October 1, 1951, cleared the industrial system of the purchase order authority carried over from previous actions of the NPA. This direction reduced authorized purchase authority on the controlled material suppliers to the level of the allotment authority issued under the quantitative procedures of the Controlled Materials Plan, and laid the basis for bringing supply and demand into balance.

Fourth, the production directive system has had sufficient time to make itself effective in shifting the pattern of mill output in terms of individual shapes and forms to meet the authorized controlled material orders placed by CMP consumers under the authority of their allotments. By directing the mills in advance to produce specified tonnages of particular controlled-material products, we have been able to do a much better job in matching the supply of particular shapes and forms with the authorized controlled-material orders placed for these products by CMP consumers.

Fifth, after the first of the year we were able to direct the controlled material suppliers to accept authorized controlled-material orders at a level exceeding their anticipated production. This action was again made possible by limiting purchase orders placed to the tonnages allotted under CMP, which in turn gave us assurance that a rough balance had been struck. The concurrent development of an effective system of reporting past due order backlogs by the mills laid the ground work for permitting the DPA program determinations to adjust future CMP allotment levels to take account of any increase in backlogs beyond the point required for efficient mill operations. Because of these actions, mill space for current CMP tickets was assured for virtually all the tonnage authorized through CMP allotments.

Sixth, the combination of the foregoing developments, which resulted in a CMP operation of genuine effectiveness, in turn had two important psychological effects. With CMP consumers having reasonable assurance of their ability to "cash tickets," the placement of purchase orders now occurs on a more orderly basis in contrast to the previous wild scramble to achieve mill acceptance at the earliest possible moment. Similarly, the assurance of future delivery of accepted tonnages now permits industrial consumers to reduce inventories to minimum practicable levels and removes the incentive for

assuring unbroken operations in the future by pressing against established inventory ceilings.

I should like now to provide you with supplementary information in answer to your specific questions.

1. *What changes in CMP procedures have been made since last October? What has been the effect of these changes?*

My general statement above summarizes what I consider to be the major changes in CMP procedures which have been made since last October. In addition, I think it worth mentioning that we have substantially raised the limits provided for self-authorization under CMP Regulations No. 1 and No. 6. The limits applicable to class B product manufacturers have been raised as follows: carbon steel from 5 to 30 tons; alloy steel from one-half ton to 8 tons; stainless steel from 0 to 500 pounds; copper and brass products from 500 pounds to 3,000 pounds; aluminum from 500 pounds to 2,000 pounds. It was possible to effect these changes as soon as we had a reliable quantitative measurement of the effect of our actions. These changes have had the effect, of course, of permitting the great bulk of small manufacturing concerns to operate under CMP with a minimum of paper work and Government control on individual company operations.

The self-authorization limits for certain types of construction have been raised within the past couple of weeks. Thus, commercial construction limits for steel have been raised from 2 to 5 tons; residential housing limits for steel have been raised by 500 pounds; and public roads construction from 2 tons to 25 tons. These changes were made so recently that they as yet have had little effect either on the construction contractors or their suppliers.

2. *As you know, all third-quarter CMP orders were canceled on October 7 in an attempt to make CMP operations current. Why have carry-overs developed since that time? What steps are being taken to eliminate such carry-overs? Have they had an adverse effect upon small firms?*

The end-of-year carry-over in fourth-quarter CMP orders was on a controlled basis. Direction 7, which governed the carry-over of third-quarter orders, was replaced by a revision in CMP Regulation No. 1 which established a January 15 date for the carry-over of fourth-quarter CMP orders. For this reason, fourth quarter backlogs could not exceed 15 days' production.

It is the view of the NPA that a backlog of approximately that size represents a healthy condition for mill operation. Not only does it provide a cushion for cancellations and other adjustments, but it permits more efficient scheduling of mill operations. As I indicated in my general prefatory statement, we believe that we have now taken the steps necessary to provide for the acceptance of authorized controlled material orders without running the risk of having such order acceptance result in the development of unwieldly carry-overs at the end of each quarter.

In our judgment the carry-over situation in the past has had little or no adverse effect on small firms as distinguished from large firms. We believe that the present rules for controlling carry-overs are benefiting small as well as large firms.

3. Are holders of CMP tickets generally assured of finding places on mill schedules at this time? Is there any assurance that they will receive delivery in the same quarter in which the order was placed?

In general, it is our judgment that holders of CMP tickets are assured of finding places on mill schedules at the present time. While there are certain tight supply conditions still existing, both for the present and future quarters, we believe that the expediting units established in our controlled material divisions will find it possible to solve most of the problems created by failure of the general rules to function effectively in certain specific instances. During this quarter the volume of requests for specific assistance on our three controlled material divisions has not been heavy. The current reports on past due unfilled orders submitted by the controlled material suppliers would indicate that this condition may be expected to continue through the second quarter of this year.

4. What were the reasons for retaining Direction 3 to NPA Order M–1 by incorporating it in the order? Do you believe NPA has retained sufficient control over steel allocations?

It is the view of the NPA that the provisions of Direction 3 to Order M–1, as revised February 1, 1952, provide certain advantages for operations under CMP in a period of semimobilization. In general, it follows the principle of permitting maximum flexibility within general regulations by making it possible for suppliers to continue relationships with regular customers, and conversely for customers to continue relationships with regular suppliers. For example, companies cannot use the legal compulsion of CMP Regulation No. 1 to shift their purchases from warehouses to mill suppliers for the procurement of material to manufacture purely civilian products. Aside from the obvious advantage of avoiding this use of CMP legal power, any substantial shift of this type has the effect of creating a temporary fictitious shortage. Since some 18 percent of steel production is directed through warehouses, the mill supplies available for cashing CMP tickets represent only 82 percent of outstanding allotment authority. If any significant portion of the consumers who normally purchase their steel products from warehouse suppliers force the mills to accept their purchase orders, it follows that an equivalent tonnage normally available for direct mill purchasers will not be available until such time as the mill warehouse distribution is finally established toward the end of each quarter. During the interim, this condition creates a general opinion that these CMP tickets are not valid.

Secondly, delegation of limited authority to mill suppliers makes it possible for them to prevent a single large consumer or group of large consumers from completely preempting their space at the expense of a number of smaller purchasers. Thus, if a mill has one large customer and 100 small ones for a particular steel product and the large customer receives allotment authority to take all of the steel product a mill can produce in a given quarter, it becomes possible for that customer to preempt the entire facilities at the expense of the smaller firms. The provisions of Direction 3 make it possible for that mill to accept only a portion of the large firm's authorized controlled material order and thereby make space available for the small firms.

Another example of the advantage of Direction 3 is illustrated by the case in which a particular firm requires the fabrication of a specific

steel product which can be produced by only one source. Under these conditions, if the space on that particular mill is taken up on a mandatory basis by other companies, such a steel consumer faces a shutdown. Direction 3 gives the mill the right to reserve space for such a company and force the other companies to use the kind of alternative facilities which they normally have been using.

We believe that NPA has retained sufficient control of steel allocations. In the event that any military or defense supporting order remains unplaced because of the judgments exercised under Direction 3, the NPA has the right of directive action upon request of the steel consumer.

5. Do you believe that any steel, copper, or aluminum products can be decontrolled at this time?

We have under consideration at the present time the decontrol of several steel products. As you know, we have already decontrolled chrome stainless steel. Similarly, we are considering parallel action for secondary steel products, used steel, conversion steel, and merchant trade products. In general, the decontrol of major controlled material products from CMP is a highly complex problem. Since allotments are made in very broad categories, so as to permit a maximum of individual business judgment to be exercised in shifting from product to product with changing production schedules, the decontrol of any particular product in easy supply cannot be accomplished without careful regard being given to the effect that such action would have on items in tight supply. Thus at any given time the decontrol of carbon steel sheet will result in the use of carbon steel allotment authority for the placement of orders on bars or tubing or some other tight product in a volume for which no provision has been made.

Further, it is likely that any program for decontrolling the controlled materials, shape by shape, will lead to wide confusion in industry because of the constantly changing definition of controlled materials, together with the shifting scope and meaning of allotment authority. From the Government's point of view, such confusion and misunderstanding would result in the malfunctioning of the basic controls system at a time when it is needed. At the present time we are developing an approach to the problem of decontrol which takes account of the obligations the National Defense Act places on the NPA, the problems of the Defense Department and the Atomic Energy Commission, and finally is procedurally acceptable to both material suppliers and users.

6. If CMP is working smoothly, why has it been necessary to create the A, B, C, E, Z–2, S and S–1 ratings, which have the effect of creating priorities and superpriorities within the system?

First, to keep the record straight, there are no special S and S–1 ratings recognized in any order or regulation of the NPA. The S symbol refers to an internal essentiality system established by the Defense Department for its own guidance.

Preference rated orders identified by the symbols A, B, C, E, and Z–2 do not carry any preference with respect to order acceptance by vendors. In other words, all DO rated orders have the same standing with respect to order acceptance. Once a DO rated order bearing

the aforementioned program symbols is accepted, however, it is protected against schedule slippage by the provisions of NPA Regulation No. 2. This action has been taken simply to provide maximum assurance that all military, atomic energy, and machine tool programs which are described by the foregoing symbols will be maintained on schedule.

Authorized controlled material orders for steel, copper, or aluminum which bear these program symbols do have preference with respect to order acceptance, since they are exempt from the provisions of direction 3 to order M–1 and the companion directions for copper and aluminum. The objective of this exception is to minimize the number of times that the NPA would have to take directive action in the event that military or atomic energy orders fail to get placed under the normal functioning of mill acceptance procedures under these directions.

The advantages of these directions have been described in my reply to your question 4. Since we desire to retain the advantages described without endangering the rapid placement and acceptance of orders for the military and atomic energy programs, it was necessary to make an exception for purchase orders falling within these categories.

Mr. BURTON. Thank you very much, Mr. Truppner. Before proceeding with questions we would like to hear from Mr. Steiner.

STATEMENT OF GEORGE A. STEINER, DIRECTOR, REQUIREMENTS COMMITTEE STAFF, OFFICE OF PROGRAM AND REQUIREMENTS, DEFENSE PRODUCTION ADMINISTRATION

Mr. STEINER. My name is George A. Steiner. I am Director of the Requirements Committee Staff of the Office of Program and Requirements, Defense Production Administration.

Mr. CHAIRMAN. I am glad to have this opportunity to appear before this committee to discuss various aspects of the operation of the Controlled Materials Plan. The committee asked Mr. Trigg, Deputy Administrator of the Defense Production Administration for Program and Requirements, to be prepared to duscuss various questions concerning the operation of CMP. Since Mr. Trigg is unable to appear today, these questions will be incorporated in my statement. The committee has requested answers to five questions. These I shall try to answer as best I can.

1. Have any changes been made in the screening of requirements by DPA since the committee's last hearing in October? If so, what effect have they had?

A number of changes have taken place which I believe have much improved the programing procedure. As a background for presenting the more important changes I should like to summarize the programing procedure for the first and second quarters, a procedure which will be generally followed in the third quarter.

The first quarter 1952 programing procedure began in June 1951, when the DPA requested from all claimant agencies a statement of their first quarter 1952 and subsequent quarterly controlled material requirements. Reports were due between August 1 and August 15.

In the meantime the staff of the DPA worked closely with claimant agencies in the development of requirements statements.

When claimant agency requirements were received by the DPA, copies were transmitted to the staff of the NPA Metals and Minerals Bureau and the NPA Policy Coordination Bureau. This staff, together with the staff of the DPA, met informally with a number of the claimant agencies to discuss requirements and programs.

During the first 2 weeks of September a series of meetings were arranged with all claimant agencies. The combined staffs of the DPA Office of Program and Requirements, the NPA Metals and Minerals Bureau and the NPA Policy Coordination Bureau, and each claimant agency whose program was under discussion met to analyze programs and requirements. At these meetings an effort was made to explore thoroughly with each claimant the way in which requirements were calculated, the needs for specific controlled material shapes and forms, program levels supported by requirements, time-phasing, the relationship of one claimant's program to programs of other claimants, degrees of essentiality among programs, possible deferrals in parts of programs, validity of material requests to support given program levels, and related problems.

Various problems arose in these meetings which merited further analysis and discussion. To the extent necessary such study was undertaken. In some instances, problems were of such a nature that new meetings of all interested parties had to be arranged. In these meetings and other studies, every program of each claimant agency and the product codes of each NPA Industry Division were studied.

In the meantime, various problems associated with controlled material supplies were explored. Separate meetings were arranged with the NPA Metals and Minerals Bureau to review the steel, copper, and aluminum supply estimates against which the first quarter 1952 allocations were to be made. These discussions went beyond questions of total supply to issues connected with individual shapes. The possibilities of increasing supplies of various shapes in short supply, such as structural and plate, were thoroughly explored.

As a result of this review of requirements and supply, preliminary recommendations were worked out covering allocations of scarce materials for each claimant agency. These were then discussed with each claimant agency in terms of product mix, levels, and related matters.

On October 1, 1951, the results of this work were placed before the Program Adjustment Committee. This Committee, on which is represented every claimant agency, met to consider the recommendations, to hear appeals presented by claimant agencies, and to prepare its recommendations for consideration by the DPA Requirements committee. On October 10, after five or six full days of meetings, the PAC presented its recommendations to the Requirements Committee. The RC then reviewed the work of the PAC and the DPA staff. Program determinations followed.

Important changes in the requirements evaluation procedure from the fourth quarter to the present time, in my view, are as follows:

First, I think it is fair to say that claimant agencies themselves are in a much better position today to present firm requirements. The experience gained in the past three quarterly program operations has

borne fruit. Many technical problems have been ironed out and their methods in preparing requirements have improved.

Second, the programing procedure in the fourth quarter was at first centered in the work of the NPA Controlled Material Divisions. The results of the NPA Controlled Material Divisions' review then were presented to the DPA staff which in turn presented its conclusions to the Program Adjustment Committee. In the first and second quarters the NPA Controlled Material Divisions and the DPA staff worked closely together in the program evaluation process. This eliminated duplication of work and permitted a cooperative effort which was not possible under the methods of the fourth quarter.

Third, and growing out of the first two observations, I think the whole programing procedure in the first and second quarters was much more orderly than in the fourth quarter.

Fourth, the staff work of DPA has expanded considerably growing out of the accumulation of historical data and the closer integration of other important agencies of Government in the programing operation.

Naturally, as CMP proceeds, there is an accumulation of historical data which can be used with important effect on the programing operation. This information applies to supply as well as to requirements.

Beyond the building up of information, the staff work of DPA has expanded. On December 9, 1951, for example, a Construction Analysis Staff was set up within DPA to examine requirements for controlled materials in the construction field. A prominent consulting engineer from Detroit is the Director of this staff. He has with him four industry experts from different steel companies. This staff, since its creation, has worked directly with all of the claimant agencies who require significant quantities of controlled materials for construction purposes. The staff has examined large parts of the principal construction programs to determine the so-called engineering readiness of the job to go ahead in the quarter for which materials are claimed. Stated another way, this group has examined projects to determine whether they could effectively use the materials claimed. In the course of these examinations, the staff has talked directly with the owners of projects, fabricators, and steel mills. This work has helped much in a proper evaluation of construction requirements, particularly structural steel. In addition, this committee has performed an educational function. Its work has helped the claimants to determine proper time intervals normally allowed for such functions as awarding of contracts, development of engineering work, and placement of orders on mills and fabricators. Through these activities each claimant should now have a proper understanding of the phasing of construction activities with the dates for necessary delivery of controlled material at the site. The committee has been working continuously on construction requirements for the first, second, and third quarters of 1952.

The program-evaluation process has been much aided, as I noted above, by a closer coordination between the DPA staff and the NPA controlled materials divisions. In addition, the coordination and cooperation between the DPA staff and claimant agencies has improved. The DPA Office of Production has become more closely integrated in the programing operation in evaluating various parts of

the military program. The DPA Office of Aircraft Production likewise has aided in an important way in the evaluation of material requirements for the military-aircraft program. Various offices in the Office of Defense Mobilization also have been integrated more closely into the programing procedure.

These, and comparable improvements in the programing procedure, have permitted a better evaluation of supply estimates and requirements presented by claimant agencies. Every effort has been made, in the time permitted for programing to bring to bear to the extent humanly possible, information and agencies of Government that can contribute in the process. The whole process is not perfect but I think it has improved much with experience.

2. What significant changes in program determinations have occurred in the first and second quarters?

First of all, in the first quarter, the demand-supply imbalance for most controlled materials was greater than in the fourth quarter. For all the demand-supply imbalance created a severe programing problem. Stated requirements for steel plate, for example, were 173 percent of supply compared with 145 percent of supply in the fourth quarter. The original first quarter demand-supply imbalance for structural steel was 205 percent of supply compared with 218 percent in the fourth quarter. The ratio in wire was slightly less than in the fourth quarter; the ratio for carbon steel was slightly higher.

Second, military and atomic energy direct and indirect requirements mounted substantially from the fourth to the first quarter. The stated requirements for A products of these programs amounted to 44 percent of the alloy steel supply, 40 percent of the stainless steel supply, 41 percent of the brass mill copper supply, and 45 percent of the supply of aluminum. When estimates of indirect requirements for components entering into military and Atomic Energy Commission end-items are added, the totals for these materials amounted to more than 50 percent of the respective supplies.

These requirements were of course subject to the most careful screening. After the screening process, authorized allotments for the first quarter were much above fourth quarter levels. The original first quarter program determinations for the Department of Defense, for example, were substantially above those of the fourth quarter. Carbon steel was approximately 400,000 tons greater; brass mill copper was originally 80,000,000 pounds greater, and aluminum was originally 80,000,000 pounds greater. Indirect requirements also were substantially above the fourth quarter.

Third, complaints concerning the cashability of CMP "tickets" led to the conclusion that the margin of allotment over supply for each controlled material should be reduced. This was done.

As a result of the reduction of allotment to supply and the rapid increase of allotment requirements of the Department of Defense and the Atomic Energy Commission a smaller quantity of most materials was available for distribution to other programs in the first quarter as compared with the fourth quarter.

On the whole, I think it is fair to say that no claimant agency as a result was happy with the final program determinations. But, on the other hand, I think that each agency received sufficient controlled

material allotments to pursue all their essential and important programs.

Turning now to the second quarter program determinations, the demand-supply imbalances revealed when claimant agency stated requirements were first submitted were moderately lower than comparable ratios for the first quarter. This was true for all materials. It represented, in my opinion, firmer methods for calculating real requirements, controlled demand growing out of certain NPA orders, and a recognition in some claimant agencies of the fact that materials were not available for certain unessential projects and production programs. The resulting demand-supply imbalance, however, was still formidable, amounting to 169 percent for structural steel, 185 percent for steel plate, and 150 percent for copper and aluminum.

Second quarter original military requirements were well above first quarter allotments, and for some materials well above original first quarter stated requirements. Indirect requirements for military and atomic energy commission programs again were impressive. Calculations of direct and indirect requirements for military and atomic energy programs showed the following proportions of material supplies: carbon steel, 21.6 percent; alloy steel, 46.5 percent; stainless steel, 57.6 percent; brass mill copper, 62 percent; wire mill copper, 30.2 percent; foundry copper, 31.7 percent; and aluminum, 68.2 percent. Both structural steel and plate requirements of the Department of Defense were much above original first quarter stated requirements or allotment authority.

In the second quarter, as in the first quarter, complaints about difficulties of consumers in getting on mill order books resulted in a further reduction of the margin of allotments above material supplies. The reduction in the second quarter was substantial.

In the second quarter, as in the first quarter, these two factors, along with others, resulted in a reduction of total allotments of some materials to programs other than military and Atomic Energy Commission programs. Supply increase in some materials offset these factors to some extent.

In the second quarter as in the first quarter, allotments met the essential needs of the military, atomic energy, and various defense-related programs such as power, petroleum, and basic resource expansion. Support of these programs naturally resulted in deferment of less essential programs as reflected in lower allotments to some claimant agencies.

3. What is the carry-over situation at the mill level, and has it had an adverse effect upon small firms?

At the present time precise information about projected mill carry-overs from the first to the second quarters, and from the second to the third quarters, is not available. The controlled materials divisions of NPA are now in the process of trying to collect this data. I am informed, however, that the carry-over in all the controlled materials is estimated to be moderate, running from 2 to 3 weeks production. This moderate backlog of orders reflects in the apparent demand-supply balance at the mill level at the present time. With such a backlog the CMP system is operating to permit the cashing of tickets. In this light small firms as well as large companies should be having little difficulty in cashing tickets.

4. Have materials been allocated to the programs for expansion of facilities for producing controlled materials in amounts adequate to keep the programs on schedule?

To the best of my knowledge no controlled material expansion program has failed to meet its schedule because of inadequate controlled material allotments to the program.

Finally, the committee asked for a comment on whether steel, copper, or aluminum products can be decontrolled at this time?

As the committee knows, chrome stainless steel is the only controlled material which has, up to the present time, been decontrolled. At the present time an apparent easiness at the mill level is raising questions about decontrol of various controlled materials. In my opinion decontrol of any of the three controlled materials at this time would be premature.

In general terms the situation at the mills is this: First quarter open space does not exist except for comparatively small tonnages here and there, generally in high-cost mills. The only open space of any magnitude, so far as I know, is in cold-rolled sheet and strip. The NPA has recently issued additional allotments to take up first quarter sheet and strip space. In the second quarter, mill books for most producers for April, the month for which lead times have expired, are full. Space is open for May and June. This situation is now in the process of review.

There are a number of considerations which I feel are important in reviewing the current situation at the mill levels, I should like to summarize these in terms of the current supply-demand situation and in terms of potential demand.

First, CMP apparently has been successful in equating reasonably well demand and supply at the mill level. Just 1 month ago there were strong complaints that ticketholders could not get metal. Now, those with tickets can get them cashed. In part, the current apparent ease at the mill level is indicative of the fact that CMP is working.

Second, as of January 31 about one-third of the total tickets issued for the second quarter were still in Washington. It takes some time for material authorizations to filter down through the industrial chain to mill levels. This flow at this time may not be so fast as in the past because consumers feel that the current apparent ease will give them plenty of time to get on mill order books.

Third, the fact that producers are sending salesmen out on the road to get business does not necessarily mean that important open space exists on their books or that insufficient tickets are in the system. In the copper area, for example, there is no finishing capacity problem. The problem is scrap and refined copper. Some mills may be seeking orders in the hope that with orders they can get refined copper through NPA Cooper Division directives. Then, too, slight miscalculation of NPA controlled material division product mix can leave producers of some shapes with more raw material than actual ticket placement. If backlogs are not heavy, this situation turns up as open space. Such open space, however, is apparently of small magnitude.

Finally, the apparent ease at the mill level varies considerably from shape to shape. Carbon steel bars are still a bit tight. Heavy structurals and heavy plate are still snug. Alloy steel shapes and

forms are apparently in good demand-supply balance. Metal mills have asked for more nickel to fill orders than there is available nickel. Brass mill alloy strip and rod is easier than condenser tubing and bus bar. Wire mill supply is snug. In the aluminum area hard alloy extrusions are tighter than sheet. In a situation where some ease leads to a psychology of surpluses, a small percentage tightening can have just the reverse effect. In a theater of 100 seats where outstanding tickets total 98, no problems of seating appears. But if 102 people seek seats the result can be serious.

Last Thursday the DPA Requirements Committee authorized the distribution of 30,000,000 pounds of additional aluminum authorizations for the second quarter. This tonnage was made available by a return from the Department of Defense. Most of it is to be distributed by the NPA primarily to producers of consumer and civilian-type items, including building materials, so as to raise the general level of aluminum allotment authority to all producers in these areas. In addition, special attention will be given to satisfying as fully as possible all appeals which producers have submitted to NPA, particularly those in industries which are experiencing employment dislocations because of the comparatively low levels of aluminum allotments. Important consideration, I understand, will be given to hardships created among small businesses by the allotment levels originally established for the second quarter 1952. This distribution of aluminum, amounting to almost 5 percent of the second quarter projected aluminum supply, should go a long way toward providing relief to many producers in the building materials and consumer durable goods areas who have appealed for additional materials. Similarly, DPA has authorized the distribution of 20,000,000 pounds of copper brass mill products. Most of this will also be distributed by the NPA in a similar fashion.

In viewing the current mill situation it is important to distinguish between what may be called legal demand and market demand. Legal demand is demand that can be and is backed up by authorized controlled material allotments. Market demand may be over or below legal demand. I doubt whether market demand in the second quarter is much below legal demand in any claimant agency. There are many where market demand is much above legal demand. In an apparent easy-supply situation, issuing tickets for this demand can tighten up mill order books considerably.

A brief summary of third quarter stated requirements of claimant agencies indicates the extent to which potential market demand is above the level of current controlled material authorizations. Following are claimant agency stated requirements for the third quarter in relation to presently projected material supplies for the quarter: carbon steel, 136 percent; steel plate, 145 percent; structural steel, 151 percent; alloy steel, 128 percent; stainless steel, 212 percent; brass mill copper, 145 percent; wire mill copper, 140 percent; foundry copper products, 144 percent; and aluminum, 125 percent. In viewing these stated requirements it must be recognized that these are not what might be called free market demand. Thus, for example, all commercial construction needs are not reflected in the structural figures, all potential demands are not reflected in the aluminum requirements, and all demands are not reflected in brass mill requirements. Some

demands are restricted by current NPA orders or by previous allotment policies and are not included in these figures.

In viewing any question of decontrol solely from a demand-supply point of view, aside from other issues, these considerations seem relevant. In light of them it is my judgment that contemplation of decontrol of controlled materials in the current quarter is premature.

Mr. BURTON. Thank you, Mr. Steiner.

I think it would be well to include in the record at this point the charts showing allotment authority and figures for steel, aluminum and copper for the fourth quarter of 1951 and the first, second, and third quarters of 1952. (Exhibits 11, 12, 13 and 14, in the appendix.)

Now for the questions. Mr. Multer, do you have any questions at this point?

Mr. MULTER. No.

Mr. BURTON. Mr. Curtis?

Mr. CURTIS. Yes, I have several questions. If I may, I will pick up with Mr. Steiner, because I have been following his statement.

Mr. BURTON. We may first ask what is the estimated rate of attrition for steel, copper, and aluminum during the second quarter, and how does this rate compare with that for previous quarters?

Mr. STEINER. We still, Congressman Burton, are in the process of trying to solidify our figures with respect to attrition levels in the second quarter. In general terms, it is apparent that the attrition rate in the first and second quarters is above the levels that were originally projected in the second quarter program determinations.

Let me be a little bit more specific. In the second quarter determinations the allotments, in relationship to the projected supplies at the time the program determinations were made, were about 110 percent for carbon steel, 105 percent for structural and plate, 110 to 112 percent for alloy steel, 105 percent for brass mill copper and wire mill copper, 110 percent for foundry copper, and 105 percent for aluminum.

It appears that the attrition rate is considerably above those figures, something in the neighborhood of from 12 to 13 percent in carbon steel; from 10 to 12 percent in plate and structural steel; from 12 to 13 percent in alloy steel, and even in brass, a very tight, limiting item, from 10 to 15 percent; wire mill brass 10 percent; and on copper foundry 15 percent, and aluminum 15 percent.

Now we, as I say, are in the process of trying to get a much better estimate of those attrition rates, and we are in the process of collecting all sorts of information, such as unissued tickets in the first quarter. We now have figures showing unissued tickets in the first quarter, as of January 31, which I think give us a reasonable projection of what the attrition rates will be. We are in the process of trying to get precise information about backlogs at mill levels, and with that information in hand we will be able to better calculate the attrition rate. But, in general terms, it is considerably higher than the rates originally projected for the second quarter.

Mr. DALMAS. Mr. Chairman, may I interject a question at that point?

Mr. BURTON. Yes.

Mr. DALMAS. Are those higher attrition rates due to an overestimate of the supplies for the quarter or an overallotment of tickets?

ments and you, through your screening process, that I highly approve of, cut them, and I want to find out how much they were cut.

Mr. STEINER. I can give you the actual figures and then we can calculate the percentage reduction.

Mr. BURTON. And add that to the record.

Mr. STEINER. I can add it to the record.

Mr. BURTON. Just so we get an approximate item now.

Mr. STEINER. All right, sir. And then I can get it in detail.

In the first quarter the carbon steel requirement was 2,191,000 tons, and the allotment authority was 2,045,000 tons, or a reduction of some 6 percent, or thereabouts. In plate, the original requirement was 283,000 tons and the allotment authority was 235,000 tons, or a reduction of some 50,000 tons, or 20 or 21 percent.

In structural steel the original requirement in the first quarter was 192,000 tons for both construction and production programs, and the allotment authority was 171,000 tons, a reduction of 10 percent.

In alloy steel the original requirement was 531,000 tons and the allotment authority was 440,000 tons, a considerable reduction, about 18 percent.

In stainless steel we have just the reverse situation. The original requirement was 83,000,000 pounds and the allotment authority subsequently was 89,000,000 pounds. If I remember correctly, that was primarily granted on the basis of an appeal for the mine sweeper program. There was insufficient stainless steel for the program and a subsequent allotment had to be made.

In copper brass mill product the requirement was 260,000,000 pounds, reduced to 230,000,000 pounds, or a reduction of 30,000,000 pounds, or approximately 11 or 12 percent.

For wire mill, the original requirement was 43,000,000 pounds and the allotment authority was 38,000,000 pounds, a reduction of about 10 percent.

In foundry copper products once again we have just the reverse situation. The original requirement was 19,500,000 pounds, and the allotment authority was 21,800,000 pounds, an increase.

In aluminum, again we have the reverse situation. The original requirement was 268,000,000 pounds, and the allotment authority eventually was 277,000,000 pounds. This grew out of the need for the aircraft program. After the program determinations were made an additional quantity of aluminum had to be alloted on an appeal.

(The following detailed information was submitted by Mr. Steiner in a letter addressed to the committee on March 25, 1952.)

The committee requested a summary of controlled material allotments made to the Department of Defense, together with stated requirements and allotment balances. The table attached summarizes controlled material actions related to the Department of Defense. The table shows for the fourth quarter 1951, the first quarter 1952, and the second quarter 1952, stated requirements at the time of program determination, program determinations, peak allotments, allotment authority as of specified dates, and the difference between peak allotments and the latest allotment authority.

Department of Defense stated controlled material requirements at the time of program determinations, original program determinations, net program determination allotments, and net allotment authority for selected dates and quarters

	Steel					Copper and copper base alloy			Aluminum
	Carbon [1]	Plate	Structural	Alloy	Stainless	Brass mill	Wire mill	Foundry	
	Tons	*Tons*	*Tons*	*Tons*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*
Fourth quarter 1951:									
Requirements at time of program determination	1,584,425	240,833	152,843	407,741	97,050	177,429	27,750	20,330	168,888
Original program determination	1,500,000	200,000	150,000	400,000	92,000	162,000	23,500	20,300	168,000
Net program determination allotment [2]	1,609,068	200,000	174,757	396,460	105,144	166,391	26,987	18,255	200,601
Allotment as of Jan. 31, 1952	1,443,371	192,108	149,075	369,760	73,901	164,021	26,958	17,751	183,903
Difference in final from program determination allotment	156,697	7,892	25,682	16,700	31,243	2,370	29	504	16,698
First quarter 1952:									
Requirements at time of program determination	2,191,070	282,657	192,364	531,512	83,673	290,551	43,329	19,652	298,815
Original program determination	1,968,000	235,000	171,000	425,000	83,400	239,500	37,500	20,000	250,000
Net program determination allotment [2]	2,045,200	235,000	171,000	440,000	88,400	239,500	38,500	21,800	274,100
Allotment as of Mar. 25, 1952	1,722,000	234,090	150,490	387,000	72,227	190,800	35,100	18,600	228,000
Difference in final from program determination allotment	323,200	970	20,510	53,000	16,173	48,700	3,400	3,200	46,100
Second quarter 1952:									
Requirements at time of program determination	2,254,174	356,877	272,734	447,742	94,463	261,709	47,868	23,254	295,619
Original program determination	2,139,677	314,097	220,628	432,674	90,021	240,000	39,951	20,322	276,790
Net program determination allotment [2]	2,139,677	314,097	220,628	432,674	90,021	240,000	39,951	20,322	276,790
Allotment as of Mar. 25, 1952	1,999,000	313,097	199,628	410,000	80,300	217,100	37,700	19,800	242,700
Difference in final from program determination allotment	140,677	1,000	21,000	22,674	9,721	22,900	2,251	522	34,090

[1] Includes carbon plate and carbon structural.
[2] Includes all amendments to program determinations.

Mr. CURTIS. You stated the military returned a considerable quantity.

Mr. STEINER. That was the second quarter.

Mr. CURTIS. That was the second quarter in 1952?

Mr. STEINER. That is right, sir, about 30 million pounds.

Mr. CURTIS. I see.

Mr. STEINER. Actually, in the first quarter, against the original requirement of 268 million pounds, about 250 million pounds was originally allotted. But subsequent to the program determinations the military presented a need for additional aluminum for the aircraft program, which was supported by Mr. Boyer of the Aircraft Production Office of DPA who is closely following that program, and the additional quantity was authorized.

Mr. BURTON. Does that answer your question?

Mr. CURTIS. Yes. Thank you.

Mr. SEELY-BROWN. I am just wondering about this, Mr. Steiner. Some people indicate that we are going to have steel coming out of our ears pretty soon and the people are assuming we will have enough for our guns and butter programs. I was wondering if that is the case.

Mr. STEINER. You must take into consideration the military program and other requirements for steel. You must take into consideration the Atomic Energy Commission, too. These two programs require directly and indirectly in carbon steel, about 21 percent of the supply, roughly. But in addition there are substantial tonnages required directly and indirectly for defense-related programs. For example, you would add to that tonnage, the PAD program, which requires something in the neighborhood of 1,700,000 tons, the Defense Electric Power program, which amounts to something like 400,000 tons; the industrial expansion program, which amounts to about 700,000 tons; the programs for the Defense Minerals Administration, the General Services Administration reactivation program, the Maritime program, the railroad freight car program, and you pretty quickly come up to 50 or 60 percent of the steel supply for the defense related programs plus the military programs.

In structural steel, the percentage of the military and Atomic Energy direct and indirect "take" is greater than for carbon steel. That also is true in plate.

Mr. TRUPPNER. May I say a word?

Mr. BURTON. Glad to have you do so.

Mr. TRUPPNER. I thought perhaps you might be interested in another slant on this question. Apparently we have to deal here with programs translated into requirements and issuance of allotment authority, and I thought perhaps you might be interested in an appraisal of the market conditions in steel as they appeared in the issue of Steel magazine which came across my desk last evening, for March 10, and if you would be interested I could read just a few paragraphs or as many as you wish.

Mr. BURTON. We would like to hear it.

Mr. TRUPPNER. This is the magazine's appraisal of the order condition at the steel mills in which we have gone all through the allotments, and we have translated authority into purchase orders backed up by cash. The excerpts are as follows:

STEEL BARS

Boston.—Carbon bar consumers unable to place all their first quarter tickets are crowding into April-June schedules narrowed by continuing defense contracts taking special tonnage monthly. High carbon flats and shaped bars required for production of [illegible] are in good supply. Larger size carbon stock is most extended with cold-finished bookings extending into third quarter.

New York.—Leading sellers of carbon bars will not open their books for third quarter until around April 1. Cold-drawn and alloy bar books, however, have been opened for third quarter mainly to the fact longer lead time is required.

Pittsburgh.—Demand does not seem quite as heavy as a few weeks back. However, the mills are turning away second quarter uncashed CMP tickets—military as well as civilian. Material in greatest demand includes sizes over 1½ inches in forging, cold-finished and hot-topped grades. Defense requirements continue strong.

Cleveland.—Second-quarter bar mill order books are overloaded with tonnage. Expectations are there will be a substantial carry-over into third quarter. Scheduling difficulties are anticipated in second quarter because of the indicated overflow from the first 3 months of the year.

Los Angeles.—There is no indication the stretch-out in aircraft production in 1955 will ease fabricators' bar requirements.

SHEETS, STRIP

Cleveland.—Contradictions are found in the sheet and strip market. In the face of continuing reports of easing supply conditions, indications are the larger mills are booked full for second quarter. In a number of instances tonnage for the period has been declined by the mills. For instance, a buyer sought to place 1,500 tons of cold-rolled sheets with a producer reportedly with open tonnage, but was unable to buy a pound. In another instance a manufacturer of automobile mufflers reportedly holding a large stock of sheets, was found to be oversupplied with waters and rejects, but was unable to buy 800 to 900 tons of urgently needed cold-rolled primes.

Boston.—Only consumers without authorized tickets are in need of cold-rolled sheets, strip and flat-rolled specialties. More difficulty is experienced in placing orders against second quarter tickets on hot-rolled and galvanized sheets, but even these products are loosening up slightly for May or June.

New York.—While there is continued easing in demand for cold-rolled sheets and strip, most producers have not opened books for third quarter except for some specialties, such as electrical sheets and stainless. General opening is expected around the middle of this month. Some mills, particularly the nonintegrated mills, which in general have been quoting premiums, have capacity available for second quarter tonnage.

Philadelphia.—Cold sheets and strip continue the weakest spot in the steel markets. Impact of this weakness is felt chiefly in conversion and imported sheets which have been moving at premium levels. One leading district consumer is offering a fair tonnage of auto body sheets for resale at cost.

Pittsburgh.—Mills are booked full for second quarter. Pressure for tonnage has been tapering off due to production cut-backs in the appliance and automotive industries. Cold-rolled material is loose and currently is moving at about 85 percent of the industry capacity.

Chicago.—Despite growing sufficiency of cold-rolled sheets and strip, mills are booked solid through second quarter. Coated products have weakened in consumer inquiries.

St. Louis.—Pressure for cold-rolled sheets remains strong despite easing elsewhere.

Birmingham.—Mill books are full for second quarter. Pressure for delivery is not quite so strong but this is the only indication of a slowing down in demand.

PLATES

Philadelphia.—Demand for heavy gage plate exceeds supply. Producers are booked up solidly for second quarter. Demand for thicker material reflects particularly requirements for power equipment, pressure vessels, and heavy machinery and presses. Also there is a stepping up in shipyard needs.

New York Shipbuilding Corp., Camden, N. J., booked a Navy contract for two oilers, in addition to three taken a few weeks ago. These five oilers will require

11,000 tons of hull steel apiece, totaling 55,000 tons, including 43,500 tons plates and 10,000 tons of shapes.

Boston.—Plate shops, notably weldments, are aided in placing heavy-gage tonnage under order Z–2 covering machine tools. Inventories are not critical to meet extended backlogs. Small tank inquiry is stronger but more light plates from strip mills are available.

New York.—Plate demand is active. There is an easing in requirements for lighter gages, as compared with the heavier, but all thicknesses appear moving briskly.

Pittsburgh.—Second quarter books of district mills are filled and uncashed CMP tickets especially for the heavier gages are finding no available rolling time.

Cleveland.—It is difficult to tack down reports of easier supply conditions in light plates. While larger supplies are coming onto the market due to greater production on the continuous sheet mills, producers have no difficulty disposing of all their output. They are booked solidly through second quarter and anticipate continued strong demand pressure the remainder of the year.

Chicago.—Plate fabricators are assured all operations through 1952. Although steel supply is easier some second-quarter tickets are unplaced. Outlook for third quarter is slightly better.

St. Louis.—Plate demand is brisk, especially from pipeline builders, tank manufacturers, and shipbuilders.

Los Angeles.—Plate fabricator competition is growing but there is no lessening of plate demand.

[Steel magazine, March 10, 1952.]

Perhaps I should mention that running through the appraisal of the market condition is a constantly repeated observation that an easing is taking place in conversion steel and in imported steel, and in some cases in nonintegrated mills with higher prices.

Mr. BURTON. How long may a holder of a CMP allotment hold it before he is required to make a decision whether to use it or not?

Mr. TRUPPNER. The mills are required to open their books for any particular product 45 days before the expiration of the lead time. The holder may legally hold his ticket before he cashes it up to whatever point in the quarter a supplier is willing to accept such an order. So if I may take the extreme case, there is a substantial number of CMP tickets which are held until the last month of each quarter for the purpose of authorizing the receipt of warehouse deliveries, which means that approximately 6 percent of the steel allotment authority will still be held in the hands of consumers on the first day of the last month of each quarter. The warehouses, you see, are not permitted to accept orders before that time, and the holders use approximately 18 percent of the tickets in each quarter for warehouse delivery—therefore 6 percent will still be in their hands the first day of the last month. I think the best answer to the question is that tickets are valid for warehouse delivery to the last day of the quarter. Once that is gone the tickets are no good.

Mr. MULTER. May I go back a moment to the figure you have been giving us with reference to the steel. I think the figures you have been giving us and the estimates have been directed to domestic supply. Is that right.

Mr. TRUPPNER. Not entirely.

Mr. MULTER. In other words, I would like to know to what extent these figures may be changed, or these estimates may be changed in the light of importations of steel.

Mr. TRUPPNER. Mr. Steiner tells me—and this is really his department—that the imported steel is not taken into account.

Mr. STEINER. The imported figures are not in the total tonnages of steel. I did not give the total supply figures here.

Mr. CURTIS. Will the gentleman yield?

Mr. MULTER. Yes.

Mr. CURTIS. Isn't it true that we are exporting more than we are importing?

Mr. STEINER. I think that is true; yes, sir. At the present time that is correct.

Mr. MULTER. What is the likelihood of there being any change in that balance? Are we likely to get any more foreign steel during the next 9 to 10 months than we have been getting?

Mr. TRUPPNER. No, sir; quite the contrary. Imports have been falling off quite substantially since July of last year when we introduced the Controlled Materials Plan. The reason for it is clearly that once demand is brought roughly in balance with supply, the incentive to buy the higher-priced imported material is less. The import statistics show a very definite falling off month by month, beginning with last July.

Mr. MULTER. What is the situation likely to be with reference to aluminum?

Mr. TRUPPNER. The aluminum situation is quite different. We are arranging for very specific additions to our available domestic supply in the field of both aluminum and copper, for the clear reason that in these two cases our ability to import affects our ability to meet the domestic demand to a very important degree. At the very best, steel imports only roughly balance exports anyhow, and the aggregate of steel imports is not a very substantial part of our total steel availability in this country.

Mr. CURTIS. Will the gentleman yield on that point?

Mr. MULTER. Yes.

Mr. CURTIS. As the result of Mr. Churchill's demands, or requests, rather, for steel from this country, we do have that geared into our program, do we not?

Mr. TRUPPNER. Yes, sir, we do, on the exports.

Mr. STEINER. I would like to emphasize one thing that Mr. Truppner said and then to make another point. First of all, the steel exports are really not a substantial percentage of the total steel production of the United States. Secondly, the imports of aluminum and copper are far above any exports of aluminum or copper. The next point, the British have been taking substantial tonnages of high-cost ingot, which apparently at the present time is in comparatively easy supply.

Mr. CURTIS. Ingot of what metal?

Mr. STEINER. Steel, the high-cost ingot. I do not have the precise figures with me, but they have been taking substantial quantities of the high-cost ingot to satisfy their requirements for steel.

Mr. MULTER. Have we sent any large quantities of steel during the last year into Mexico or any of the South American countries?

Mr. STEINER. Percentagewise, it could not be very large, sir. I do not have the figures on that, but I could get them for you.

(The following information was submitted by Mr. Steiner in a letter addressed to the committee on March 25, 1952:)

The committee requested the tonnage of steel shipped to Mexico and other South American countries. The following table shows the total tonnage of carbon steel shipped in each quarter of 1951. The data for the first quarter 1952, shown in the attached summary, represent licenses issued through March 14, 1952. Actual shipments are expected to be below the tonnages shown.

Steel shipped to Mexico and other South American countries

1951	Mexico	Other South American	Total
First quarter	57,375	193,176	250,551
Second quarter	55,272	169,511	224,783
Third quarter	60,109	158,182	218,291
Fourth quarter	71,903	161,006	232,909

Steel licenses issued for shipment to Mexico and other South American countries [1]

1952	Mexico	Other South American	Total
First quarter	76,691	273,749	350,440

[1] As of Mar. 14, 1952.

Mr. BURTON. Has any formula been established to determine when decontrol of controlled materials may be possible?

Mr. TRUPPNER. I guess maybe that question is directed at me. As I indicated in my written statement, we are devoting a great deal of our time and energy to this question as of today. I think I could say that up to now, in some respects contrary to I think widely held opinion, the NPA-DPA control system actually does operate on something that very closely approaches a formula as of today. The formula is essentially the one established by the Defense Production Act of 1950, which says very simply that the President shall invoke allocation control when he finds it necessary to see that the military and atomic energy schedules, both construction and production, are met; and, secondly, when it is necessary to insure the carrying forward of our resources expansion program on schedule. And the act further says if these actions are taken and under these conditions we are further to see to it that civilian business participates on an equitable basis in the division of the remainder; and, secondly, that small business is not to be squeezed out of the market under these conditions; and, thirdly, that new business is to have a share in a part of this residual amount.

The approach we have taken is described almost perfectly by the act, namely, when you have taken the first two actions and it results in a condition in which the last three things that the act tells us to accomplish will not happen by themselves, then we have to extend the control, to see to it that we carry out the provisions of the act. And we have, on the converse side of the ledger under conditions in which all those things happen by themselves, concluded there was no need for control in the first place. But if conditions change and we pass from a condition in which these things would not happen by themselves to a condition in which they do happen by themselves, then we revoke the control. So I would say, in my judgment at any rate, that the act itself provides us in the materials department of the control agencies, with something that very closely approximates a very workable formula. And, of course, as you know, the act further provides that a committee shall communicate with us on a more or less continuous basis to see that we are doing this, and it has been working on precisely that basis. So I would answer your

question, sir, by saying for all practical purposes our agency has been working on a formula right along, and it is the formula established by the Defense Production Act of 1950, and I think it is a very good one.

Mr. CURTIS. Mr. Truppner, when you decontrolled chrome stainless steel did you proceed along that line?

Mr. TRUPPNER. Yes, sir; that is precisely what we did. Our first intimation that all these objectives would be fulfilled without our control of chrome stainless came along in the early fall of last year.

As you know, the Government, or private industry for that matter in this country, has no solid set of statistical facts which tell us without exception what will happen a month or two or three later. So the first thing we did, we issued more CMP tickets for chrome stainless steel to test the markets, so to speak, to see what would happen, to see if this was really easing, or whether there were other forces that created a condition that was an apparent easing. We did that last fall, and under the conditions of having authorized the purchase of some chrome stainless, we found that the mills under these conditions had not sold all the chrome stainless steel that they were in position to sell, and it was at that point that we immediately initiated the action to remove the controls from chrome stainless steel.

Mr. CURTIS. You mentioned—I forget who it was, but one of you mentioned another factor here. I did not understand it, although you did spend some time trying to explain it. If you took it off of one, it would have repercussions on another form or shape. I wonder if you would explain that a little more. I did not understand why that would result.

Mr. TRUPPNER. Yes, sir. That leads us to this condition: We do not issue steel consumers tickets for sheet and for strip and for bar and for rod and for all the remainder of the steel products. We give them an allotment authority to purchase some tonnage of carbon steel and of alloy steel, and of nickel bearing stainless steel. Now we initially calculate in Mr. Steiner's programing operation what impact those tickets will have on our bar supply, or our plate, structural steel, and so forth. Having what could be called a bill of materials for each of the products we then translate that statistical estimate of the impact into our mill directives, so that the appropriate tonnages of the different products are available, and the consumers translate this free authority to buy carbon steel tonnage into tonnage of sheet, rod and bar, and the remainder of the particular products.

The point I was making is that having given the claimant agencies authority for carbon steel and that authority having been translated into authority to the prime consumers and the prime consumers having transmitted it down the contracting chain, whether it be military or civilian, we would never have the control and balance on procurement which will match our mill directives. Let us take the case where carbon sheet, for example, becomes in easy supply. The point I was making is that under these conditions a particular producer may have 100 tons of carbon steel allotment authority to buy 50 tons of, let us say, bar and 50 tons of sheet. If at this point we decontrol one of these items and let it be carbon steel sheet, we have no way of preventing the consumer from promptly going to buy the 100 tons of carbon steel sheet for which he needs no ticket and then

using his 100 tons of carbon steel purchase authority to buy 100 tons of bar.

Mr. CURTIS. Let me ask you another question. Is there a shortage of ingot? If there is an ample supply of ingot, the limitation then is solely our mills?

Mr. TRUPPNER. The fabricating capacity is the limitation, yes. We are up to the limit in our fabricating capacity for heavy structural plate, bar, tube, rail, and for a number of individual products. If we had more capacity we could divert more ingot into those particular products, at the expense of other products. Now, ideally, of course, if we had easing in sheet and a continued shortage in the other steel products, the best thing the Government could do to achieve the national objectives would be to divert some of the ingot away from the sheet and put it into use in bars and some of the short products.

Mr. CURTIS. Now I got the picture that you do not really control the shapes; do you?

Mr. TRUPPNER. Not specifically; no, sir. You see, we have to give the individual manufacturer some elbow room. In the first place, we do not ask them to apply for an individual product. We say, "You may apply for a class of products," farm implements, for example, and there may be in any given manufacturer's request a proposed program to produce, let us say, 150 different types of implements. As he gets closer to the quarter and as he discovers the amount of copper and aluminum and other supporting materials which are available for that quarter, he may shift his production around very substantially within this broad authority. At this point we want to give him some elbow room so he can take the authority he has for sheet in the first place and shift some of it over to bar or rod or whatever happens to be required by his revised production pattern or schedule. This is clearly essential. If we do not do this, then we have industry in a complete straitjacket.

Mr. CURTIS. I am just trying to understand it. I agree with you exactly.

Mr. TRUPPNER. Did I make that point clear?

Mr. CURTIS. Yes; I understand. Thank you.

Mr. BURTON. That covers your question?

Mr. CURTIS. Yes.

Mr. BURTON. Well, now, as the supply of controlled materials becomes more adequate, do you anticipate the present self-certification limits could be increased?

Mr. TRUPPNER. Yes, to some extent. We are already engaged in that right at the moment.

Mr. BURTON. You have that in process?

Mr. TRUPPNER. Yes. Some of it has already emerged and more of it is under consideration at this moment.

Mr. BURTON. Do you believe that an open end CMP might be practical?

Mr. TRUPPNER. Open end in a very, very special sense. One way of avoiding this difficulty which I just tried to describe is to authorize people to purchase certain types of steel in excess of their allotment authority, providing that such purchase does not create an additional impact on their requirements for materials that are still in tight supply. This is a different type of open ending than we discussed last fall which, as we thought, would have to be a complete failure

inasmuch as we did not know how much steel to provide for the open end part. Now this is a different type of open ending in the sense that we would not guarantee anybody anything, we would simply, through the issuance of a directive, permit people who are in position to do so without creating new material shortages in other areas to sop up the additional production of the materials in loose supply. A clear example of this is the manufacture of steel shelving, or steel partitions or frames or containers,in all of which cases the manufacturers can use additional quantities of black plate sheet, or what have you, without creating chaos in the aluminum or brass markets.

Mr. BURTON. Who determines that?

Mr. TRUPPNER. Mr. Steiner's programing operation is the one that tells us which materials are in tight supply and which materials are likely to be in loose supply, and we then translate that knowledge into authorization for purchase.

That authorization can take one of two forms: The first form is the one we have been following for the past several months, namely, we issue more tickets and if that is sufficient to take up the supply, the problem is solved; if that is not sufficient to take up the entire supply—and now we are into the things I mentioned, such as secondary products, and so on—where you have price problems, under those conditions we can come very close to a sound procedure along the lines of the question you ask, namely, to issue a directive which authorizes the purchase of materials of that type over and above the allotment levels, providing that the purchaser, by that action, is not going to create a materials problem elsewhere.

Mr. SEELY-BROWN. In other words, it is a very flexible program which you try to apply as you go along.

Mr. TRUPPNER. Yes.

Mr. SEELY-BROWN. And you can go back on this if you have to, if the situation develops.

Mr. TRUPPNER. Precisely.

Mr. BURTON. Is it almost temporary decontrol?

Mr. TRUPPNER. It could be called that, although I would hate to term it that, because it is really not decontrol in the technical sense, it is lack of control on an individual manufacturer's operations in the sense it opens up an avenue for him to get more material and increase his production.

Mr. SEELY-BROWN. It is giving him something which can be very helpful to a certain manufacturer.

Mr. TRUPPNER. I rather think the small manufacturer has done very well under our general rules. Obviously not every small manufacturer has.

Mr. BURTON. Every directive carries with it the danger of depriving other consumers of materials and of disrupting their production schedules. Has this been a serious problem to date?

Mr. TRUPPNER. I wonder if I could ask you to elaborate on that, please.

Mr. BURTON. Well, of course, every directive carries with it the danger of depriving other consumers of materials and of disrupting their production schedules. Has this been a serious problem to date?

Mr. TRUPPNER. This was becoming a very serious problem in the fourth quarter. I think at the present time and in the future it is a problem which normally is not serious and will not bother us at all.

The reason I say that is because, as I indicated before, when a consumer has his order accepted, it loses its quarterly identification and takes its place on the mill schedule. Under those conditions, to take the case of steel, for example, the mill lays out a working schedule and let us say that sheet narrows down in his daily operations. Under these conditions, if the directive is issued, let us say, to place a military order in the schedule at the appropriate time, it now means instead of having the consumer kicked out of that schedule the whole set of consumers' products is pushed back by, let us say, 3 or 5 hours a day or however long it takes to take care of the directed order.

Now we have introduced a new system in which we have a continuous authorization and production without regard to end or beginning of calendar quarters. Once an order acceptance has taken place it merely means instead of moving back, let us say, the 8 days from the 1st to the 9th of any particular month, delivery moves from one calendar quarter to the next one. But it has no particular significance, I would say, unless we get seriously out of balance, which would result in pushing the whole schedule back; and we now have a way of knowing when this is coming by the reporting of unfilled order backlogs. Assuming that does not happen, this should not be a serious problem from now on.

Mr. BURTON. Do you believe that present inventory regulations are realistic and workable?

Mr. TRUPPNER. In general, yes, although we could qualify that by saying that we have in circulation a proposal to revise them somewhat, after consulting with a great many advisers in and out of the Government, and I do believe the proposed revision would make a better set of regulations and more workable ones. I don't know that you are interested in the details. I can give them to you if you wish.

Mr. BURTON. You may give us the essence.

Mr. TRUPPNER. It takes place in two respects: First, we are proposing to raise the inventory limits for steel and aluminum products from 45 days to 60 days, which simply gives everybody more elbow room; and, secondly, our present regulations establish an inventory control on an item basis, an item being a very specific steel, copper, or aluminum product as defined in terms of shape, thickness, and specifications. We are continuing that, except that we are providing an alternative which is to permit manufacturers to group controlled-material items into very broad groups, so you would have perhaps 18 categories of steel products, one of which might be steel sheet, and we are permitting the manufacturer to apply the number of days working inventory rule to that whole group of products.

Now the reason this is more workable—and it may be a little obscure—is that most big, and small consumers, for that matter, will normally procure some heavy tonnage items—perhaps 10 or 15 percent of all the controlled-material products that they buy accounting for perhaps 80 or 90 percent of their total tonnage. Under these conditions we are saying, "You may now establish this 45- or 60-day control on your heavy tonnage item only; with the full knowledge that whatever you do in the smaller procurement items cannot possibly throw your total product category out of balance."

Mr. BURTON. In other words, they would not be able to throw their small items in with their heavy items?

Mr. TRUPPNER. They won't have to keep tight controls on these small items, that is what it comes to, because they will know they cannot throw 90 percent out of whack with 10 percent of a group of very small items. This we believe will bring our regulations in much closer conformity to the inventory-control procedures which private industry uses in its own interests. Every company has a keen interest in investing as little capital as possible in carrying inventories which are not needed. Normally, from a dollar point of view, companies clearly are willing to spend money in establishing control procedures for those items in which they have a lot of money invested. Creating new product categories permits them, in essence, to go back to what they were doing in their own interest in 1949 or 1950.

Mr. BURTON. You do not anticipate that this will take out of control the finer grades? For instance, the finer grades of steel which come in small packages, you would measure that in pounds as against tons on your heavy items?

Mr. TRUPPNER. It is my judgment that it will not; no, sir.

Mr. CURTIS. Mr. Truppner, I would like to ask you another question. Was this distribution of the 30,000,000 pounds of additional aluminum which resulted from the return of this aluminum from the Department of Defense, the result of your inventory regulations and an application of them?

Mr. TRUPPNER. No, sir; I should not say that.

Mr. STEINER. No, sir; that was the result of the reevaluation of the military-aircraft program.

Mr. CURTIS. Yes, I thought so; but if you recall, there were many people, and I think some members of this committee, who felt that the airplane companies had built up tremendous inventories of aluminum. As the result of the question being raised by many people, as I understand it, there was a check made of the airplane companies' inventory, and it just strikes me that this probably was the result of that check. I was just wondering whether that is so or not.

Mr. STEINER. I am not intimately familiar with all the detailed reasons for this return. I can find out, however, and would be very happy to let you know.

Mr. CURTIS. Mr. Chairman, I would like to make that request, to get that information.

Mr. TRUPPNER. These things could be connected, sir. I just have no evidence that they were.

Mr. CURTIS. In other words, as far as you are concerned, as far as you know, it was not the result of your inventory regulations?

Mr. TRUPPNER. I would express the judgment that it certainly was not the direct result. I would say, perhaps, that it was to some extent unknown to me. It could be a contributing cause.

(The following information was submitted by Mr. Steiner in a letter addressed to the committee on March 25, 1952:)

The committee raised a question concerning the circumstances surrounding the return of 30,000,000 pounds of aluminum from the Department of Defense from total second quarter 1952 material authorizations made to the Department. In my testimony I indicated that it was my understanding this return was primarily occasioned by the rephasing of the military program, but that I would provide the committee a more detailed answer. The original second quarter 1952 aluminum authorizations made to the Department of Defense by the Defense Production

Administration were sufficient to support the then current aircraft production schedules. Indeed, the quantities authorized were necessary to support the then scheduled production of aircraft. Following the original second quarter program determinations a decision was made concerning the military budget and a rephasing of the military aircraft program followed. Readjustment of the aluminum requirements for aircraft production was thereby necessitated. In this readjustment the Department of Defense advises that the revision of aluminum requirements downward, to reflect the production rephasing, did not precisely equal the calculated aluminum requirements for the new schedule. This was due to the fact that complete downward readjustment would have resulted in incurring extraordinary expenditures in some plants which the Department of Defense calculated should be avoided. One result of this, of course, is that some firms in the second quarter may have higher aluminum inventories than usual. The third quarter requirements of the Department of Defense for aluminum will reflect this factor, and therefore the third quarter requirement for aluminum will be at an artificially depressed level. Fourth quarter aluminum requirements, therefore, can be expected to be higher than the third quarter aluminum requirements. In sum, the primary cause of the return by the Department of Defense in the second quarter of 30,000,000 pounds of aluminum is the rephasing of the aircraft production program.

Mr. BURTON. Are there any other questions?

Mr. MULTER. Very briefly. Can you foresee, assuming there is going to be no change in the international situation other than possibly in Korea, can you foresee the possibility of your agency no longer being required to allocate materials by July of next year?

Mr. TRUPPNER. I should hate to say that I could not see the possibility of being able to withdraw our allocation procedures and controls for a good many materials. I should hesitate to say, however, that I feel any confidence in the possibility that there will not be any material, or a few materials left in very short supply. As you know, the nickel supply, for example, is, as of today, being used very substantially by the military program, and if the military program holds up, that condition will continue to exist As of the present time we are actually wresting away a small proportion of the nickel supply for the maintenance of certain very essential and important civilian items, and I would judge that that condition may well continue to exist all during the period of a very heavy military program, and, if I may, I will define it as the program that we have right now. So I would say, in general, my answer would be "yes," and perhaps I should supplement this by saying that we are at the present time taking two actions, which I should report to this committee, which I think have a very substantial significance in looking ahead.

Number one, we have at present a proposed, very basic change in our whole preference-rating procedure system, in which we have a very long list of products and materials, incorporating literally hundreds of thousands of individual products and materials, and we are about to issue that, or at least we are proposing it at the moment, and it has to have certain clearance to go through before complete agreement is reached, making these products and materials not subject to preference ratings, except preference ratings A, B, C, E, and Z–2.

Now this means thousands of suppliers of these products and materials will not now be subject to any control, except military, atomic energy, and machine-tool ratings, and that is all.

The second thing we are doing is making a basic change in the procedural side of our preference-rating machinery, which provides for the full extension of the A, B, C, E, and Z–2 ratings throughout the system, which is not now provided for.

The reason I mention these two things, in response to the question, is because the combination of these two actions taken at this time, during the next 4, 6, 8 months will lace our whole industrial system through with military ratings and atomic-energy ratings in such a way that as conditions ease up, as we come up to the end of this year, we will be in a position to continually add new products and materials to this exclusion list that I mentioned as the first action, which would then make them subject only to military ratings.

So this means, to come back to my formula, as soon as we reach a point where we feel we can meet military schedules with a simple preference system, we can take the more exacting and tight controls off the distributor.

Mr. SEELY-BROWN. Mr. Truppner, in continuation of the original question that Congressman Multer asked and in connection with your answer, do you feel it would be wise for the Congress to review every year the authority under which you operate rather than to extend it automatically for 2 or 3 years, that it would be wise for us to review the entire situation every year?

Mr. TRUPPNER. Speaking for myself, I cannot say that this is an unwise thing to do. On the other hand, I do feel you have sufficient control over at least the NPA, DPA part of the defense operation so, as far as I can see, no risk would be run if you extend it indefinitely. As I see it, the basic framework established by the Defense Act as it exists today, supplemented by the operational review of the Defense Committee, supplemented by the necessity for appropriation requests gives the Congress complete and absolute control over the operation in a very workmanlike way. I do not feel any risks would be run, as far as our agency is concerned, if the act had no termination date at all. So I think you might want to review it, perhaps, for other reasons altogether. But in terms of our actions, in the way I see it after long experience, it would be of great value not to have to go through an additionally prescribed review of it each year.

Mr. MULTER. There is this committee, and the Senate Committee and the so-called joint watchdog committee by which we are constantly reviewing what you are doing now.

Mr. TRUPPNER. Yes, you are, and that review is undertaken in what, in my judgment, is a very sensible and workmanlike framework as it is established by the Defense Production Act, in which there are some very, I think, explicit and excellent rules which guide our operations very intelligently and very closely.

Mr. MULTER. I have one other question on this subject, Mr. Truppner. Could you effectively enforce your allocation and priority program if you did not have, side by side with it, price control of those items which are in short supply and must be controlled by Government priorities and allocations?

Mr. TRUPPNER. I think our problem might become a little more difficult if a condition exists in which price controls are needed, but if I might express just a personal judgment, I think most of the need runs in the other direction, that the price-control job is made much more workable by the existence of material controls, because if you have, for example, a very heavy resource expansion demand, and military demand, and in our best judgment we say we will not make any more refrigerators, for example, and completely blot out the supply of cer-

tain consumer items, as we had to do in 1942 and 1943, at that point the price-control job becomes enormously complicated and very difficult. I think there is some relationship in the other direction, but it is very much dimmer and much less important.

Mr. SEELY-BROWN. May I ask a question in that connection? Am I correct in my understanding that the OPS has set a price beyond which we cannot go in buying copper on the world market? That is correct; is it not?

Mr. TRUPPNER. I don't think so, sir. I don't think it was the OPS.

Mr. SEELY-BROWN. Maybe not the OPS, but there is some agency, whether it is an agency of law or fact, or otherwise, that says we cannot pay more than a certain price for copper on the world market.

Mr. TRUPPNER. That is Mr. Wilson's office. I think it is 27 cents.

Mr. SEELY-BROWN. If we can pay above that price would it be possible for us to get more copper, which could then be sent to the Detriot area?

Mr. STEINER. It is my understanding, Mr. Congressman, that it would be possible to get more copper if the price were increased; yes.

Mr. SEELY-BROWN. In connection with that would you care to comment as to whether or not it might not be ultimately cheaper for all hands, and better for our over-all economy, if we paid a higher price for copper, and in doing so kept some people at work?

Mr. TRUPPNER. I think it would be presumptive of me to question Mr. Wilson's judgment on this. You are faced with this problem, that for very many materials the United States is dependent on imports, for a great many of our basic defense materials. The military production program, the resource expansion program and the maintenance of our civilian economy are dependent on imported materials. Speaking for myself, there is no question in my mind but what the economic might of the United States is such that if we wanted to buy the materials in world markets and pay higher prices we could go out and wrest a good share of that material away from other nations. Among other nations would be the affiliated NATO nations, which in turn are contracting to carry out a part of the military program of the western alliance.

Mr. SEELY-BROWN. Where are they getting their money to buy their copper?

Mr. TRUPPNER. It comes from very many places. Normally it comes from their own pockets.

Mr. SEELY-BROWN. I have heard it suggested that some of it comes from our pockets.

Mr. TRUPPNER. I would like to give just one example on the other side. I heard a radio program by Lord Knowles last week in which he pointed out that Great Britain is licensing the exporting of seven out of every eight passenger cars made, in order to get the money to buy the materials. So they are depriving their civilian markets of seven-eighths of their own output, which is now resulting, as he put it, in consumers having to wait from 5 to 7 years for a new car at a time when they are producing eight times as many cars as are being offered for sale. In my judgment this represents a very, very tight control over their own consumption, and a very drastic effort to provide funds to make purchases of foreign materials. This clearly represents Government action which is depriving the people of Great

Britain of some of the products of their own labors so they can use their own money to buy their materials to make their own cars.

Mr. BURTON. It is important that the members of this committee be on the floor promptly today. I am wondering whether this committee has additional questions or whether this subject has been fully covered.

Mr. CURTIS. Mr. Chairman, I did have questions leading up to the final group of questions I had in mind. If I may, Mr. Truppner, I would like to know how are your activities geared with the IMC, or the International Materials Conference?

Mr. TRUPPNER. You mean the activities in my office?

Mr. CURTIS. Yes.

Mr. TRUPPNER. We are not geared in, sir.

Mr. CURTIS. Whatever they do you just have to contend with, in other words?

Mr. TRUPPNER. We essentially start where they leave off. When they reach an agreement, for example, directed at a certain percentage of Chilean copper that is to be made available to the United States, that becomes part of Mr. Steiner's supply figure, and then it becomes part of my problem for seeing to it that it is distributed in the most sensible way.

Mr. CURTIS. Did Mr. Charles Wilson's office sit in on that matter?

Mr. TRUPPNER. I believe the responsibility is on Mr. Fleischmann, who is the Administrator of DPA, and I believe he exercises it through a deputy administrator.

Mr. CURTIS. You could make recommendations and certainly put up a yell if you thought it would ease your situation any on any decision that the International Materials Conference group made?

Mr. TRUPPNER. Yes. Certainly it is part of the function of the people measuring the requirements to transmit them to the people responsible for the agreements on dividing up the world supply; yes, sir.

Mr. CURTIS. For instance, your situation on metals could result from lack of ore, or it could result from lack of pig ore ingot, or it could be a reduction in capacity.

Mr. TRUPPNER. Yes.

Mr. CURTIS. And all three of those can be affected, and undoubtedly are affected by the IMC decision, is that not true?

Mr. TRUPPNER. If I may just change that slightly to IMC agreement. They do not make decisions, sir. That is a very important distinction.

Mr. CURTIS. Apparently those agreements seem to be pretty binding on our country.

Mr. TRUPPNER. They are not binding on any country, sir. I believe I am correct in stating that there has not been any division agreed upon by the committee which has not been unanimously agreed upon by all people present. Those people do not have the authority to bind their countries or any other countries in any way, they merely express a judgment.

Mr. CURTIS. That gets back to my original question as to how would you and your particular office working in DPA gear your opinions and ideas into these so-called agreements. You say they are not binding and yet they result in what amounts to binding agreements.

Mr. TRUPPNER. I think the specific answer to your question is our office picks up where that operation leaves off. In other words, we start with the assumption that whatever they agreed upon is the thing we have to work with in our internal domestic distribution.

Mr. CURTIS. That is what I am trying to get at. In other words, you might find yourself in a situation where you would have some insoluble problem, because we haven't got enough material, which might very easily be the result of the IMC agreement, is that not right?

Mr. TRUPPNER. I would rather put it it might be the result of a world condition which has this result and which is reflected in the IMC agreement.

Mr. CURTIS. You are just saying their agreement might be based on a sound basis, which is entirely true.

Mr. TRUPPNER. Yes.

Mr. CURTIS. I am trying to point out very clearly this is a fact, that the IMC agreements, over which your office, as nearly as I can get it, or Mr. Charles Wilson, have no control, and I understand it is the State Department actually that makes the decisions.

Mr. TRUPPNER. No; I should like to correct the record on that.

Mr. CURTIS. All right, I would like to be corrected if that is wrong.

Mr. TRUPPNER. The responsibility is on Mr. Fleischmann as the DPA Administrator, which he exercises through the Deputy Administrator, and I believe he derives his authority from the Defense Production Act, although I am not sure of that last phrase.

Mr. SEELY-BROWN. Will you check into that, because I would like to see the authority under which the IMC is authorized, the specific authority which makes it a legal operation.

Mr. TRUPPNER. Yes. The first part of that statement I am sure of. It is Mr. Fleischmann's responsibility.

Mr. SEELY-BROWN. Under what you believe is the authority granted in the Defense Production Act?

Mr. TRUPPNER. Yes.

Mr. BURTON. We will probably have an opportunity to check on it with Mr. Fleischmann. Have you any other questions?

Mr. SEELY-BROWN. No.

Mr. BURTON. Mr. Dalmas, have you anything?

Mr. DALMAS. Yes. We would like to have a breakdown of steel allotments made for industrial expansion in recent quarters, and we would like for Mr. Steiner to furnish to the clerk of the committee additional information on the "small user" program. Also, we have some questions in order to complete the record, Mr. Chairman, that we would like to submit in writing to the gentlemen rather than ask them to come back.

Mr. BURTON. We will handle it in that manner.

(The following information was submitted by Mr. Steiner in a letter addressed to the committee on March 25, 1952.)

First, the committee requested a breakdown of steel allotments made for industrial expansion in recent quarters. The table attached shows carbon steel and structural steel allotments made for various expansion programs for the fourth quarter 1951, the first quarter 1952, and the second quarter 1952. The structural steel total, as you know, is within the carbon steel total. The allotment figures for the fourth quarter 1951 are as of January 31, 1952, and the allotment figures for the first quarter 1952 and the second quarter 1952 are as of March 15, 1952.

The programs shown are only those under the jurisdiction of the NPA Facilities

Bureau. The allotments made for industrial expansion programs have been sufficient to meet the needs of these programs, and to my knowledge no industrial expansion programs have been delayed because of a lack of controlled-material authorizations.

Carbon and structural steel allotments for specified industrial expansion programs for the fourth quarter 1951, the first quarter 1952, and the second quarter 1952

	Fourth quarter [1]		First quarter [2]		Second quarter [2]	
	Carbon	Structural	Carbon	Structural	Carbon	Structural
Iron and steel	263,780	112,441	317,280	145,132	230,599	102,606
Aluminum	75,516	24,225	54,945	18,859	117,838	43,798
Aircraft	74,849	37,267	113,302	68,579	98,928	45,762
Chemicals	87,180	29,165	89,654	26,871	112,029	38,848
Industrial machinery and equipment	38,159	24,951	29,992	27,126	35,884	21,360
Ordnance	57,966	23,851	12,295	6,710	17,511	5,392
All other	80,432	34,894	35,280	20,530	102,427	38,015
Total	677,882	286,794	652,748	313,807	715,216	295,781

[1] As of Jan. 31, 1952.
[2] As of Mar. 15, 1952.

Mr. BURTON. Now, we have with us Mr. James F. King, the Deputy Administrator, Office of Resources Expansion, Defense Production Administration, but unfortunately we cannot hear him today. Mr. King, if it would suit you, we would like to have you back at 10 o'clock tomorrow morning.

I would like to thank Mr. Truppner and Mr. Steiner for their testimony today.

Mr. TRUPPNER. Thank you for a very understanding hearing.

Mr. BURTON. We will adjourn now, to reconvene tomorrow morning at 10 o'clock.

(Whereupon, at 12 noon, the hearing was adjourned, to reconvene at 10 a. m., Thursday, March 13, 1952.)

(Supplementary information submitted is as follows:)

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, April 4, 1952.

Mr. VICTOR P. DALMAS,
Executive Director, Select Committee on Small Business,
House of Representatives, Washington, D. C.

DEAR MR. DALMAS: This is in reply to your letter of March 19, 1952, in which you request answers to six questions relating to the so-called Time-Locked Priorities Plan developed by Mr. Arthur I. Appleton and to five additional questions relating to the Controlled Materials Plan. In addition to the replies to the questions contained in your letter, there are included herein the replies to three questions which you addressed to Messrs. Johnson and McCue of the Iron and Steel Division of NPA in your letter of March 19. It is the opinion of the staff members of this agency that the replies to these questions should come more appropriately from this office than from the persons to whom they were specifically addressed.

The following replies are addressed to the questions regarding "Time-Locked Priorities":

(1) Do you feel there is too much basic similarity between T–LP and the old system of priority ratings? If so, how about between T–LP and the system of priority ratings which is being built on top of CMP?

(1) The priorities system proposed in T–LP has most of the disadvantages which were inherent in the multiple-band priority system in effect during World War II. It provides no basis for reducing demand to the level of available supply.

The balancing of supply and demand is, of course, one of the fundamental objectives of CMP. The production equation cannot be presented in terms of guns versus butter but only in terms of how many guns versus how much butter. Essentiality is determined not by the intrinsic importance of any one product but by the number of units authorized for production. CMP allotments reflect an evaluation of the essentiality to the economy of the last unit of a particular product which is produced. It is, of course, clear that the production of the first hundred tanks must take precedence over the production of the first hundred refrigerators. Production of a certain quantity of refrigerators, however, may very well be no less important than the production of the ten thousandth tank.

The implication contained in the second part of your first question to the effect that a system of priority ratings is being built on top of CMP is not in accord with the facts. The limited preferential treatment accorded to military programs within the framework of CMP, represents exceptions established to provide individual procurement advantages for purchases of goods for military programs. Orders for controlled materials for specifically identified military, Atomic Energy, and machine-tool programs are subject to preferential treatment with respect to mill acceptance under CMP. While orders for controlled materials do not come under the priority rating system, special provision has been made to insure acceptance of such orders in furtherance of the defense program, without regard to normal supplier-customer relationships. DO rated orders for items other than controlled materials all have equal preferential status with respect to acceptance by the supplier; the only additional preferential treatment provided for such orders relates to those instances in which a supplier is unable to meet delivery schedules after he has accepted rated orders without preferential distinction, in which event he must give precedence to DO rated orders identified by the A, B, C, E, and Z–2 symbols.

(2) Under T–LP, if a distributor should erronously build an excessive inventory of certain priority materials, for which he had little or no demand, he could apply to the appropriate Federal agency for disposition. Is there any similar procedure under CMP, or must such a distributor wait until he uses up his surplus?

(2) Since it is the basic function of distributors to provide a source of supply for small business and users of small quantities of materials on the one hand, and on the other to provide materials promptly wherever needed on a spot-delivery basis, it is apparent that in the fulfillment of this function distributors would not accumulate unsalable inventories as a matter of sound business judgment. To the extent that they exercise poor judgment they would be facing financial difficulties by sterilizing capital in immovable or slow-moving inventories. Thus the real problem presented when a distributor finds himself in the possession of inventories in excess of current demand is one of finding outlets for such items. This can be accomplished through normal business methods at least as effectively, and far more expeditiously, as it could be done through Government intervention. This is not to say that NPA would not be prepared to assist in such cases. NPA has sanctioned the exchange of controlled materials between distributors.

(3) Do you feel the idea of having certain priorities specifically marked "For Civilian Consumption Only" for distribution by the final distribution outlet to regular civilian customers would be advantageous?

(3) The reply to question (1) above bears directly on your question 3. The mere identification of products for distribution to users would serve no purpose under a control system in times of material shortages unless appropriate provisions were made for establishing a quantitative authorized level of production of such items. This, of course, is accomplished under the Controlled Materials Plan, under which a reasonable level of production of civilian items is established while at the same time providing the bases for the fulfillment of military and related needs.

(4) At the ultimate user level, under T–LP, if the ultimate user should find he is unable to use a product within 30 days after expiration of the period denoted by the priority suffix on the label, he would have to return the material or else apply to a Federal agency for disposition. Do you consider this time feature an improvement which would work or not?

(4) The time feature so greatly emphasized in T–LP is in effect an attempt to provide inventory limitations on the acquisition of materials in short supply or products made from such materials. In our opinion this goal can be achieved more effectively by specific inventory controls and by appropriate limitations both with respect to the use of allotments of controlled materials and the use of

rating authority to acquire products and materials other than controlled materials for authorized production. Under CMP, authorized production is subject to the limitation that production materials may not be acquired in greater quantity or at an earlier time than needed to fulfill the production authorized. A person who has acquired excessive supplies of material may dispose of them in one of several ways provided in the regulations or request NPA for instructions as to the disposal thereof. In case of flagrant violation, compliance action may be in order.

There are practical difficulties in establishing a requirement for the disposition of material or products which have been held for more than a stated number of days. Delays in deliveries of complementary materials, difficulties in meeting established schedules, lead time for the replacement of items disposed of pursuant to such restrictions all would cause serious imbalances in inventories required for authorized production.

NPA has given serious consideration to the establishment of a redistribution system. Experience during World War II has shown that such efforts as the Government may be able to make along these lines are bound to entail expense quite out of proportion to the results achieved. It must be borne in mind in this connection that many types of scarce material are made to individual specifications and are therefore not readily usable by others. The problem of inventory disposition is primarily a management function which can best be solved by the exercise of business ingenuity. In extreme cases where, because of changes in program or of other governmental actions, management is unable to resolve this problem, it would be appropriate for Government to render such assistance as it can.

(5) It is claimed that T–LP would drastically reduce paper work on the part both of the Government and industry. Do you believe this is possible or likely?

(5) It is manifest that under T–LP the volume of paperwork would be monumental. The one requirement that holders and users of materials must request instructions from the Government for the disposition of supplies held beyond the permitted time period would result in a tremendous flow of paper to Government agencies. Furthermore, in the operation of a priorities system without quantitative limitations, the requests for special priority assistance become enormous, as was found during the initial period of World War II.

(6) It is claimed that T–LP provides priority ratings which isolate the importance of the project from the time required for use of materials, by application of the numeral suffix on the ticket denoting a specific time for action. Do you consider this claim valid? If not, what can CMP do to equal what in theory T–LP would accomplish, so far as the advantages of timing are concerned?

(6) The phrasing of your Question 6 contains the assumption that the numerical suffix denoting a specific time for action would, in fact, provide an adequately phased flow of products and materials to productive uses. This assumption cannot be accepted in view of the comments contained in Item (4) above. In a fluid economy where, because of emergency conditions requirements are subject to frequent change due to rapidly changing conditions, no system of fixed time predetermination can be effective. The quarterly programming and allotment system developed under the Controlled Materials Plan provides a sound basis for frequent review of program levels and requirements. Furthermore, the provisions of the CMP regulations are designed to contain the flow of materials within the needs of approved programs. In short, it is our opinion that CMP provides a timing mechanism as well as a quantitative control system which has been proven to be effective.

The following replies are addressed to the five questions contained in your letter of March 19, 1952, relating to "Additional Questions on CMP":

(1) Has any investigation been made to determine the specific lines of manufacture where attrition is occurring at the greatest rate? In other words, are manufacturers of certain types of civilian products turning in a greater than normal portion of their allotments?

(1) As part of the operations of the CMP program, it is necessary to study constantly the degree to which CMP tickets are cashed by consumers. For this reason, we obtain monthly reports from producers of controlled materials showing shipments of such materials by individual program symbols. This data when compared with program determination tonnages provide the basis for drawing conclusions with respect to the degree of attrition by programs.

In the civilian goods area, attrition rates are determined by economic conditions. Consequently, there is no "normal" attrition factor.

(2) An NPA press release issued on January 30 stated that NPA is still obliged to issue a large number of directives on the steel mills to fill urgent and unforeseen demands of the Department of Defense and the Atomic Energy Commission. Is the use of directives increasing or decreasing?

(2) The level of directive actions during January and February appears to have reached a plateau of approximately 1,000 actions per month. It also appears that this level is being maintained. It is believed that the issuance of amendments to CMP Reg. 1 and 3 on March 31 providing for the military identification of B products will result in a decrease in the need for directive action to assist military and Atomic Energy programs.

(3) On January 31, the Wall Street Journal quoted several regional directors of NPA to the effect that 60 percent or more of the plants checked by compliance officials had inventories in excess of the permissible amount. Do you have any information on the extent of compliance with inventory regulations?

(3) Yes. The quotations in the Wall Street Journal article to which you refer are incorrect. We reviewed inventory reports of approximately 8,000 metal-consuming plants accounting for some 75 percent of controlled materials in the hands of manufacturing establishments. We hand-picked some 2,200 reports in which excessive inventory holdings appeared to be indicated. The remainder reported a reasonable inventory position. Representatives of NPA visited most of the 2,200 plants to determine whether or not their apparent excessive holdings were in violation of inventory restrictions or were the result of schedule changes, inventory holdings obtained prior to the introduction of CMP, obsolete or obsolescent materials, etc. The Wall Street Journal's reference to 60 percent, therefore, applies to a group of hand-picked plants that reported material holdings in excess of prescribed limits rather than a reflection of conditions in industry as a whole.

In this connection it should be noted that the mere possession of excessive inventory quantities violates no order or regulation of NPA. The provisions of the inventory regulations prohibit the acceptance of delivery of materials if the inventory of such materials is, or by such receipt would become, in excess of the specified limits.

(4) You have pointed out that stated requirements for steel products for the third quarter run anywhere from 128 to 212 percent of the estimated supply. Steel capacity will expand only about nine percent during 1952. Yet we have received a prediction from the Iron and Steel Division that steel may be decontrolled within about nine months. Do you believe the stated requirements are realistic, and if so, how would it be possible to decontrol steel within nine months?

(4) It is correct that stated requirements for steel in the various controlled material shapes have exceeded estimated supply by 128 to 212 percent for the third quarter. It is also true that steel-producing capacity is expected to increase by only about 9 percent during 1952. Any judgment as to the probability of decontrol of steel within about nine months must be based upon the following considerations:

(a) Stated requirements for materials are made on the assumption that all materials will be available to meet such requirements. For example, a person who requires 100 tons of steel, 5,000 pounds of copper and 10,000 pounds of aluminum presents such requirements on the assumption that all three materials will be equally available for the particular purpose. His requirements for steel and aluminum will decrease by reason of the limited availability of copper. Thus it is the scarcest material which determines the level of materials usage.

(b) In a period of short supply of materials, it is natural for applicants to overstate their requirements in anticipation of probable downward adjustments in allotment levels. Furthermore, requirements for the third quarter of 1952 were stated on the basis of estimates made several months in advance of that quarter and were predicated in most instances upon favorable predictions regarding the demand for the finished products.

(c) The industrial expansion program which now accounts for a substantial portion of steel requirements is expected to drop off sharply toward the end of 1952.

(5) Despite improvements in the supply of controlled materials, many manufacturers still are being given copper and aluminum allotments which amount to only 30 percent of their base period use. When do you consider this percentage can be raised to 50 percent? To 75 percent? To 100 percent?

(5) The answer to question numbered 5, relating to copper and aluminum allotments, is contained in the letter addressed to you by Mr. George Steiner under date of March 31, 1952. (See page 696.)

The following replies are addressed to the questions you asked of Messrs. Johnson and McCue:

(1) As the supply of steel products increases in relation to demand, which of the following procedures do you believe whould be taken:

(a) Higher self-certification
(b) Liberalization of allotments
(c) Establishment of an open-end CMP
(d) Outright decontrol of certain steel products?

(1) As the supply of steel products increases to the point where restricted allotments are no longer required, it would be desirable to—

(a) Increase self-authorization limits. In fact, a proposal is under consideration to double the current self-authorization limits in direction 1 to CMP Reg. 1 for carbon steel and alloy steel for the third quarter of 1952.

(b) It would also be in order, under the circumstances referred to, to increase the level of allotments for civilian-type production.

(c) With respect to the establishment of an open-end CMP, consideration is being given at the present time to a procedure which would permit the purchase of steel or other controlled metals in ample supply on an ex-allotment basis over and above the amounts allotted pursuant to approved programs. This is, in effect, an open-end CMP with respect to allotment authority rather than with respect to production of A or B products. The considerations involved in this approach relate primarily to the substantial administrative problems involved in removing individual controlled material items from the allotment procedure in view of the fact that allotments are made on the basis of only seven broad general classes of steel, copper and aluminum. The elapsed time between the original presentation of requirements by claimant agencies, the screening, review and discussions involved in the DPA Program Adjustment Committee and Requirements Committee and the final issuance of allotment authority to producers is such that action taken to remove any particular kind of controlled material from CMP would create insurmountable administrative and accounting difficulties.

(d) The question of outright decontrol of certain steel products relates directly to the comments under (c) above. For the reasons presented therein, it does not appear administratively feasible to completely decontrol items of controlled material one by one so long as there is a shortage condition existing in other types of controlled material within the same allotment class. Such actions would only result in a transfer of the authorization to purchase from the items in easy supply to those in tight supply, thus destroying the effectiveness of the allotment system for the items requiring continued control.

(4) Do the A, B, C, E, Z–2, S and S–1 ratings, which in effect establish priorities within CMP, conflict with the assumption that CMP provides a single-band system of quantitative control of materials

(4) The S and S–1 symbols have no special preferential status under NPA rules.

In our opinion, the preferential treatment accorded purchase orders for controlled materials, identified by the symbols A, B, C, E, and Z–2 do not conflict with the basic principle of a single-band system under the Controlled Materials Plan. The purpose for which this preferential treatment has been established is administrative in character in order to meet the requirements of the Defense Production Act. The preferential treatment of orders placed on controlled materials producers in these categories recognizes the fact that any failure of acceptance of such orders would require directive action by NPA in accordance with the established policy of assuring defense production. The preference procedure has the effect of minimizing the need for such directive action

With respect to DO ratings identified by the symbol A, B, C, E, or Z–2 which apply to purchase orders for products and materials other than controlled materials, no preferential acceptance by the supplier is accorded under the applicable regulation. The provisions of section 15 (d) of NPA Reg. 2 require a supplier to give preferential delivery status to such DO rated orders where a conflict occurs within his production schedule. Accordingly, it is our opinion that the limited type of delivery preference accorded such orders does not in any way conflict with the basic principle of a single-band priority system.

5. Taking into account these priorities and the freedom given to mills to choose their own customers, do you believe that CMP has adhered to its original principles?

(5) While it is recognized that normal customer relations between purchasers and suppliers should be maintained to the fullest possible extent under a controls system in the present circumstances of limited mobilization, nevertheless, provision must be made to meet the requirements of the Defense Production Act in assuring that defense programs will be met with the least impediment. Accordingly, the preferential acceptance status accorded to A, B, C, E, and Z–2 orders for controlled materials at mill level has been established to fulfill this principle.

Please do not hesitate to call upon me if you require any additional information regarding these matters.

Sincerely yours,

WILLIAM C. TRUPPNER,
Assistant Administrator for Production and Distribution Controls.

DEFENSE PRODUCTION ADMINISTRATION,
Washington 25, March 31, 1952.

MR. VICTOR P. DALMAS,
Executive Director, House Small Business Committee,
Old House Office Building, Washington 25, D. C.

DEAR MR. DALMAS: Your letter of March 19 requests answers to five questions. In conformance with an understanding reached with your office, in view of the fact that questions number one, two, and three are now being answered by appropriate officials of the National Production Authority, I shall devote attention to answering as best I can questions four and five, together with a question on attrition referred to me by NPA. (See page 579, statement by McCue, and page 693, statement by Truppner.)

Your question number four is:

You have pointed out that stated requirements for steel products for the third quarter run anywhere from 128 to 212 percent of the estimated supply. Steel capacity will expand only about nine percent during 1952. Yet we have received a prediction from the Iron and Steel Division that steel may be decontrolled within about nine months. Do you believe the stated requirements are realistic, and if so, how would it be possible to decontrol steel within nine months?

I should like to seek an answer to this question in several parts. First, stated requirements for total carbon steel for the third quarter were 135.7 percent of supply. For plate, the figure was 142.6 percent, and for structural steel the figure was 154.5. Both of these shapes, of course, are in the carbon steel total. Alloy steel requirements were 127.9 percent of supply, and stainless (nickel only) requirements were 212 percent of supply.

Except for stainless steel I believe these requirements roughly represent the third quarter material needs for programs presented for fulfillment to the DPA Requirements Committee. I should like to point out two things with respect to these stated requirements for the third quarter. First, there is no doubt that some inflation exists in the stated requirements of the Claimant Agencies. This will always be true in a controlled system. Second, the demands under conditions of complete decontrol in the third quarter could conceivably be considerably higher. This is so because the stated demands of the Claimant Agencies for the third quarter do not reflect the total demands of the economy, and export, under conditions of a free market. Let me cite a few instances. Some Claimant Agencies, mindful of the materials situation, have not presented requirements which might exist under free market conditions. They have screened out of their requirements less essential demands. In other instances, limitation orders of one sort or another serve to hold down stated requirements. Materials needed to permit an uninhibited commercial construction program are not reflected in requirements. The same is true of consumer durable goods production.

The stainless steel requirement of 212 percent of supply is quite unrealistic. You will remember that the third quarter operation is the first quarter under which allotment distribution for stainless steel will be solely for nickel stainless, chrome stainless having been decontrolled. For this reason prime consumers and Claimant Agencies are faced with difficulty in getting solid requirements for nickel stainless. The figures undoubtedly are much overstated. But I should like to point out that NPA Order M–80 contains a long list of products for the production of which nickel stainless is prohibited. Just what the total demand for stainless steel with nickel content would be in a free market I am not prepared to guess. I would guess that the level would be much above supply.

On the question of decontrol, I should like to call attention to several factors. First, as you well know, steel is not just steel. It is shapes and forms among which various degrees of stringency exist in supply. Several months ago there were many who spoke of no steel shortage. They were speaking about chrome stainless and would have been the first to admit, if pressed, that many shapes and forms of steel were in very tight supply at that time. Thus, first, one must distinguish among carbon steel, alloy steel, and stainless steel. Because of the very large direct and indirect requirements of the military and atomic energy commission programs for stainless steel, amounting to well over 50 percent of the supply, this metal stands in a much different position than either carbon steel or alloy steel. The nickel stainless steel problem, as you know, is based upon the shortage of nickel rather than the availability of steel to which nickel is added.

Within the carbon and alloy steel categories various degrees of demand-supply imbalance exist. At one extreme, of course, is carbon steel sheet and strip. This is in comparatively easy supply at the moment and will remain so short of an unusual and unexpected free market demand for automobiles and consumer durable goods. On the other hand, bars and shapes, heavy plate, and heavy structural are still in short supply relative to demand. So also are heavy castings. Seamless tubing is also tight in relation to demand. In the alloy steel category it is my understanding that with the exception of bars no serious demand-supply imbalance exists. These shapes I have indicated as being tight now, will, in my opinion, remain tight over the next six to nine months, unless a decline in general demand of proportions I do not now see comes about.

The over-all demand for carbon and alloy steel, in relation to supply, nine months hence may be so close to supply as to permit decontrol of carbon and alloy steel. My own view is that this may occur in the absence of a new build-up of military demand, a change in the international situation, or a general strengthening of demand in the economy which does not at the present time appear to be likely. A number of considerations could well delay the time when decontrol of steel can be accomplished without serious consequences. Whether or not there is a steel strike, is one of the factors.

This, however, leads to my second point. Some definition of decontrol, aside from reference to shapes and forms, is needed. In my view, decontrol of steel does not mean complete abandonment of any and all regulations over steel. Decontrol in the present context refers to the degree to which government restraints may be relaxed. Nine months hence, if conditions warrant, this may mean relaxation or abandonment of much of the discipline of the Controlled Materials Plan with respect to submission of applications, receipt of allotment authority, the maintenance of records in Claimant Agencies and industry, the programming function, and so on, for most shapes and forms of carbon and alloy steel. The projected demand-supply situation may warrant the maintenance of this procedure for certain shapes and forms, such as bars and seamless tubing. The discipline may be necessary for stainless steel. Prior to this sort of relaxation, or decontrol, self-certification leniency and the issuance of additional allotment authorizations or other administrative devices to test the market may be in order.

When-as-and-if this sort of decontrol is merited by conditions, it is altogether likely that a number of types of control, other than the CMP-type mechanism, will be required. A priority system of some sort to insure the fulfillment of military and atomic energy commission orders will be necessary. The NPA will undoubtedly have to continue certain types of mill directives. Certain types of NPA orders may still be necessary, e. g., plate restrictions. Stainless steel allocations, and allocations of bar shapes and seamless tubing, may still be necessary under a CMP-type mechanism. The use of the word decontrol, therefore, even though applied only to carbon steel, needs definition in talking about conditions ahead.

I should like to point out, as you well know, that the situation with respect to copper and aluminum is considerably different than for steel. In copper particularly, the prospect of decontrol is not nearly so close as for carbon and alloy steel.

The third point I wish to make is that the determination of the timing of decontrol is not easy. A decision to decontrol carbon and alloy steel, in my view, should take a number of factors into consideration. Among them are the demand-supply situation under conditions of a free market; the extent to which assurance can be given that military, atomic energy commission, and other vital defense programs will proceed on schedule; the number of individual shapes and forms remaining in tight supply and the degree of tightness; the assurance that the CMP-

type control to be modified will not be required within some period of time; the relation of steel decontrol to the maintenance of CMP-type controls over copper and aluminum; and similar considerations. The timing of decontrol of steel depends upon answers to matters such as these. As you know, it has been the policy to decontrol as quickly as conditions warrant.

Your question number five reads:

Despite improvements in the supply of controlled materials, many manufacturers still are being given copper and aluminum allotments which amount to only 30 percent of their base period use. When do you consider this percentage can be raised to 50 percent? To 75 pecent? To 100 percent?

In my statement before your Committee I pointed out that there has been no projected improvement in copper supply in the third and fourth quarters of this year. Aluminum supply, of course, is much higher in the third quarter than in the second quarter and may be higher in the fourth quarter than in the third quarter. You will also recall that I reported to the Committee that just prior to my appearance the DPA distributed in the second quarter about 20,000,000 pounds of brass mill copper and about 30,000,000 pounds of aluminum. Subsequent to that time additional quantities of aluminum, copper, and steel have been distributed. A large proportion of this material was redistributed to manufacturers having had comparatively low allotments in the second quarter relative to historical usage.

Last week the Requirements Committee announced third quarter 1952 program determinations. These allotments raise the minimum level of support to manufacturers of civilian-type goods to 35 percent of base-period usage for copper brass mill and copper foundry; 40 percent for copper wire; and 50 percent for aluminum.

With the growing aluminum supply there are good prospects that the minimum aluminum allotment to 75 percent of base-period usage will be reached in the first quarter 1953, if not approached sooner. Attainment of this level before 1953, however, is based upon no recurrence of a power shortage in the Pacific Northwest in the fourth quarter of this year, no diversion to the national stockpile, and no substantial increase in military requirements. To the extent these things occur, the goal of 75 percent cannot be reached. As far as copper is concerned, the Committee knows the copper demand-supply situation and the very uncertain prospects for any sizable increase in allotments beyond present levels.

A question which you raised in one of your letters to the NPA concerned the rate of attrition, its measurement, and its causes. This inquiry was turned over for me to answer. As you know, this is a rather difficult problem, but I shall try to give you my views on your specific questions as follows:

1. What rate of attrition for steel products is estimated for the second quarter?

At the time of the original second quarter 1952 program determinations, on January 7, 1952, the aggregate allotments authorized for steel in relationship to projected supplies were as follows: carbon steel, 110.5 percent; structural steel, 106.8 percent; steel plate, 105.0 percent; alloy steel, 112.0 percent; and stainless steel, 115.3 percent. Since that time, as the Committee knows, an apparent ease has developed at the mill level. The DPA and the NPA have been keeping a watchful eye on open space at the mill level with a view toward utilizing all steel facilities. In order to use open space that has developed, DPA and NPA have redirected reserves to consumers and have issued additional tickets. As a result of these actions, total authorizations in relationship to supply for all steel products, with the exception of stainless steel, are higher than at the time program determinations were originally made for the second quarter. At the present time, open space on mills in the second quarter is fast closing except for a few scattered shapes and forms on high-cost mills. If no open space of any magnitude does develop for the second quarter, the current aggregate allotment percentages above 100 percent projected supply levels indicate the attrition which is anticipated in the second quarter upon which basis over-allotment percentages have been calculated. These figures are shown in the table given in answer to question two below.

2. How does this rate compare with that of previous quarters?

The following table shows program determination allotments for steel products in relation to supply for the fourth quarter 1951, the first quarter 1952, and the second quarter 1952. The figures in the following table in excess of 100 percent, in each instance, constitute a measure of anticipated attrition. The quantities for the fourth quarter 1951, a period which is now history, are reasonable approximations of the attrition which took place in that quarter.

The story for the first quarter 1952 and the second quarter 1952 has yet to be written. After adjustments for additional allotments after the original program determinations the percentages in the following table for the first and second quarters 1952 over 100 percent indicate a measure of anticipated attrition for allotment purposes.

Program determination allotments in relation to supply for steel

	Fourth quarter 1951	First quarter 1952	Second quarter 1952
Carbon	113.3	111.9	111.0
Plate	109.5	109.6	107.4
Structural	120.5	112.4	112.3
Alloy	107.5	116.4	112.1
Stainless	115.3	151.1	115.1

The allotment figures in the above table for the fourth quarter 1951 are as of December 31, 1951, and reflect returns made by Claimant Agencies to the DPA reserves. The allotment authority shown above for the first quarter 1952 is also as of December 31, 1951. The allotment authority for the second quarter 1952 is as of March 10, 1952.

Attrition operating in the fourth quarter 1951 cannot be set forth completely until all unissued balances of allotments in the hands of Claimant Agencies and consumers can be aggregated. At the present time DPA does have knowledge of unissued balances of steel allotments in the hands of Claimant Agencies or in the DPA reserves. DPA does not know the magnitude of unissued balances in the hands of consumers. Unissued balances of steel allotments on the books of Claimant Agencies, as a percentage of allotment authority, for the fourth quarter 1951, as of January 31, 1952, are as follows: carbon steel, 8.0%; steel plate, 12.2%; structural steel, 10.3%; alloy steel, 15.8%; and stainless steel, 11.4%. Undoubtedly some of these unissued balances reflect returns from consumers. I do not think, however, that these figures fully reflect all returns from consumers. As a consequence, I feel that they underestimate the aggregate unissued balances for the fourth quarter, and, as a consequence, underestimate the attrition factor operating in the fourth quarter 1951.

3. What are the chief causes of attrition at present? To what extent are these factors involved? (a) Overestimates of military requirements? (b) Overestimates of civilian requirements? (c) Slackening of demand for consumer durables? (d) Inability to place orders with producers? (e) Decisions by some manufacturers to discontinue the production of certain products at the low returns authorized under CMP?

These questions cannot be answered with quantitative precision at the present time. They are necessarily matters of judgment in the absence of far more data than the Controlled Materials Plan generates. It is well to consider these questions in light of a general statement about the causes, importance, and measurement of attrition. In this connection, I should like to quote from the "Controller's Report on the Controlled Materials Plan Operations for the Second Quarter 1943," written by myself and Mr. Anshen, as follows:

> "In the formulation of the Controlled Materials Plan it was recognized that all of the material made available to the claimants would not result in the placement of orders on producers of the metals. Very early in the operation of the Plan it became apparent that there was a substantial difference between quantities of materials made available by program determination and actual shipments of basic metal producers. Quantities allotted by claimants to prime consumers were less than quantities made available by program determinations; orders placed against metal mills were less than allotments to prime consumers; and actual shipments by metal mills were less than orders placed. This disappearance of allotments has become known as 'attrition.'
>
> "Many of the causes of attrition are readily apparent. Perhaps the most important is the discrepancy between requirements as originally submitted and actual requirements of consumers. This difference may occur as a result of one or more of the following factors: (1) Errors in calculating requirements from bills of materials; (2) failure to make proper adjustments for inventory holdings; (3) a general tendency to overstate requirements in anticipation of cutbacks; (4) estimating material requirements on the basis of optimistic forecasts of the future volume of business; and (5) unanticipated cancellation of contracts or changes in end-product specifications.

"These factors may be influential at all levels in the process of accumulating total material requirements. They are a direct cause of attrition when, at the consumer or claimant level, they create unissued balances after the actual requirements of manufacturers have been satisfied. They are also a cause of attrition when unissued balances become available too late for reallotment in time for translation into orders or mill schedules.

"Attrition also results from reserve policies established by claimants and prime consumers. Among the more important reserve policies to which attention is directed are: (1) The necessary provision for quantities of materials to meet the demands of late applicants, emergency appeals, and program adjustments; (2) the necessary creation of the multiplicity of reserves by those claimants and consumers who issue allotments on a decentralized basis; this often results in the accumulation of a larger total reserve fund than would be necessary if only a single reserve were maintained for all programs; and (3) the necessity for maintaining larger reserves to meet changing requirements in those claimants which do not have clearly defined programs. The net effect of these policies, when either the emergencies for which the reserve is set aside do not occur or when reserve requirements are overestimated, is to leave unissued balances in the allotment accounts.

"Another basic cause of attrition is the failure of producers of controlled materials to fill all accepted orders within the time period permitted under the Controlled Materials Plan. The allotments represented by such unfilled orders do not appear in the unissued balance accounts of either consumers or claimants.

"A certain level of allotment disappearance is inevitable in the distribution of basic metals under CMP in order (1) to preserve operational flexibility for Claimant Agencies, Industry Divisions and consumers; and (2) to provide the extra orders at the mills necessary to maintain capacity production. For program determinations to be established at the optimum level it is necessary to have some quantitative measure of the extent of allotment disappearance required to assure the proper operation of these two conditions.

"If total program determinations for any metal are balanced too closely with the estimated supply for the period, some claimants and some programs may receive smaller allotments than the metal supply justifies. Under these circumstances both claimants and consumers will be handicapped in meeting contingencies and in making necessary adjustments, and the operation of metal mills will be at less than capacity.

"If total program determinations are substantially in excess of the supply for the period, metal mills will be forced to reject some orders. Under CMP procedure which requires that orders be accepted in the sequence in which they are placed this may result in nondelivery of some orders which have a high degree of urgency. If the allotments to the Claimant Agencies are large in relationship to their minimum requirements, the claimants will make increased quantities of material available to the less essential programs. But it is inevitable, with excessive overallotment, that certain orders placed by consumers in programs of great importance will be refused because of lack of mill capacity. The predetermined schedules of relative program urgency will be upset and production of those end products considered most essential may be impaired.

"Both underallotment and excessive overallotment at the program determination level are therefore undesirable. It is essential that program determinations be made at a level which will facilitate smooth operation of allotment distribution, induce capacity production by metal mills, and make possible the acceptance of orders by metal producers which will result in shipments which support the balanced production programs predetermined by claimants."

The problem of measuring attrition in the aggregate is difficult until all of the data pertaining to a quarterly operation are at hand. The problem of calculating the contribution of the causes of attrition to the total attrition is even more difficult and in most instances cannot be measured with any degree of accuracy. At the present time the only quarter for which most of the data are available that is required to measure the attrition factor is the fourth quarter 1951. These data are now under review. We are handicapped in measuring with precision the attrition factors for the first quarter 1952 and the second quarter 1952. At the present time, we do know, of course, the total aggregate allotments that have been issued for these quarters and we do know the unissued balances of materials on the books of Claimant Agencies. We do not know the unissued balances in

any trends of consumers nor do we know mill shipments against allotments for January. February reports are due shortly and will add to our knowledge, but those two months will not be conclusive.

It does appear that attrition rates operating in the second quarter and likely to operate in the third quarter 1952 will be above those used for the second quarter 1952 and shown in the above table. This judgment is derived from analysis of allotments issued for these quarters, unissued balances in the hands of Claimant Agencies, projected forward supplies, and the demand-supply balance at the mill levels as reflected in unused space and order backlogs. In light of these considerations, the aggregate allotments for the third quarter in relation to projected supplies are higher for most materials than they have been in past quarters.

I hope these answers to your questions meet your requirements. If you have further inquiries I trust you will not hesitate to direct them to us.

Sincerely yours,

GEORGE A. STEINER,
Director, Requirements Committee Staff,
Office of Program nd Requirements.

DEFENSE PRODUCTION ADMINISTRATION,
Washington 25, April 2, 1952.

MRS. JEAN C. CURTIS,
House Small Business Committee,
Room 129, Old House Office Building, Washington 25, D. C.

DEAR MRS. CURTIS: This letter attempts to answer the questions which you referred to this office by telephone. The questions and answers are as follows:

1. What are the small user limits?

In CMP Regulation No. 1, Direction No. 1 as amended, dated November 23, 1951, the limits were: carbon steel, 5 tons; alloy steel, ½ ton; stainless steel, none; copper and copper-base alloy brass mill products, copper wire mill products, and copper and copper-base foundry products and powder, 500 pounds; aluminum, 500 pounds. On January 28, 1952, CMP Regulation No. 1, Direction No. 1, was further amended to raise small user self-certification limits effective for the second quarter 1952, as follows: carbon steel, 30 tons; alloy steel (except stainless), 8 tons; stainless steel, 500 pounds; copper and copper-base alloy brass mill products, copper wire mill products, and copper and copper-base foundry products, 3,000 pounds, and aluminum, 2,000 pounds.

2. What are the field case limits?

The field case limits for processing CMP–4B applications were established for the fourth quarter 1951 and first quarter 1952 in the U. S. Department of Commerce, National Production Authority, Operating Manual V, Field Operating Procedures, Chapter I, dated July 30, 1951, as follows: carbon steel, 100 tons; alloy steel, 5 tons; copper products, 4,000 pounds; and aluminum, 1,000 pounds. On January 30, 1952, an amendment to this Operating Manual changed the method of processing field cases. The Manual provides that, with the second quarter 1952, cases may be decentralized for processing to Field Offices until they aggregate 25 percent of the total first quarter 1952 allotment authority for each product code in N. P. A. Industry Divisions. Administrative orders provide that cases processed in the field be treated on a basis comparable to those cases falling within a product code handled in Washington.

3. How many CMP–4B applications were processed at Department of Commerce Field Offices?

There were about 15,000 applications processed under the original processing instructions. It is estimated there will be about 20,000 applications processed under the new procedure in the second quarter 1952.

4. How were small-user reserves computed?

In World War II there were collected data covering the use of controlled materials by various levels of metal consumption. This information was used in making the original estimates of materials to be used by small consumers. When the small-user limits were increased a tabulation was made of all cases that were field cases and which would not come under the new small-user limits. This estimate was derived from a detailed analysis of CMP–4B applications. All CMP–4B applications at Department of Commerce field offices were listed

and the amounts of materials requested by the applicants at these approximate points were examined. This kind of study preceded reserve set-asides. amount to be used and the necessity

5. How were field case reserves computed?

The estimated reserves for field cases for the fourth quarter 1951 and the first quarter 1952 were based on World War II data with adjustments for differences between the World War II field case limits and the limits in the fourth quarter 1951 and the first quarter 1952.

For the second and subsequent quarters 1952, allotment authority was provided to the National Production Authority for processing of field cases in the Department of Commerce field offices. These field cases are processed in the same manner as Washington cases and the factors on the field cases are precisely the same as the Washington cases for each NPA Industry Division.

6. What was the reserve set-aside for small users and how much material is consumed in the small-user and field-case areas?

The reserve set-aside for self-certification for small users for fourth quarter 1951 and the first and second quarters 1952 is in the attached table. The materials actually consumed by small users and cases processed in the field are not available. Small-user consumption cannot be estimated because most small businesses get their material from warehouses from which DPA and NPA do not receive shipments reports. This is also true for producers receiving allotments from field offices. In addition, consumption or shipments of these cases cannot be determined because each field case has the same program-identifying symbol as a Washington case. On shipments reports made by steel mills, copper refiners, etc., shipments to field cases and Washington cases are commingled.

I hope the questions that have been raised are answered here to your satisfaction. If any additional information is required, do not hesitate to call on me.

Sincerely yours,

GEORGE A. STEINER,
Director, Requirements Committee Staff, Office of Program and Requirements.

List of allotment quantities established to provide for small cases, small users and field cases, fourth quarter 1951, first quarter 1952, and second quarter 1952

Description	Steel			Alloy steel	Stainless steel	Copper and copper base alloy			Aluminum
	Carbon	Plate	Structural			Brass mill	Wire mill	Foundry	
	Tons	*Tons*	*Tons*	*Tons*	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Pounds*
Fourth Quarter, 1951:									
Small case reserve	586,395	.....	.....	18,403	1,090	10,249	2,279	2,930	4,451
First Quarter, 1952:									
Small users reserve	100,000	.....	.....	2,877	.....	595	319	252	1,495
Field case reserve	336,097	.....	.....	11,848	1,006	5,039	1,448	1,945	4,868
Second Quarter, 1952—									
Before field cases adjustment:									
Original small users reserve	292,600	39,501	21,067	6,387	.....	2,973	958	1,332	1,094
Original field case reserve	235,714	31,822	16,971	4,290	650	2,932	761	1,320	958
Second Quarter, 1952—									
After field case adjustment:									
Revised small user reserve	190,000	15,337	5,017	6,000	.....	3,000	1,000	1,400	2,100
NPA field office account	738,587	58,078	17,177	29,643	6,180	13,800	4,684	7,368	18,412

Source: Defense Production Administration; Office of Program and Requirements.

PROBLEMS OF SMALL BUSINESS UNDER THE CONTROLLED MATERIALS PLAN

THURSDAY, MARCH 13, 1952

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE SELECT COMMITTEE
TO CONDUCT A STUDY AND INVESTIGATION
OF THE PROBLEMS OF SMALL BUSINESS,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10 a. m., in room 304, Old House Office Building, Washington, D. C., Hon. Clarence G. Burton, chairman, presiding.

Present: Representatives Burton (presiding), Joe L. Evins, Abraham J. Multer, and Horace Seely-Brown, Jr.

Also present: Victor P. Dalmas, executive director, Arthur F. Lucas, Ernest L. Stockton, and Duncan Clark of the committee staff.

Mr. BURTON. Gentlemen, we will call the meeting to order.

Our first witness this morning is Mr. James F. King, Deputy Administrator, Office of Resources Expansion, Defense Production Administration. Mr. King.

STATEMENT OF JAMES F. KING, DEPUTY ADMINISTRATOR, OFFICE OF RESOURCES EXPANSION, DEFENSE PRODUCTION ADMINISTRATION; ACCOMPANIED BY BYRON D. WOODSIDE, ASSISTANT DEPUTY ADMINISTRATOR, OFFICE OF RESOURCES EXPANSION, DEFENSE PRODUCTION ADMINISTRATION

Mr. KING. Thank you, Mr. Chairman.

I have here a statement which is a little long, and long statements scare me, but I think, in view of the fact that there has been a lot of confusion about this program, and in view of the fact that speaking off the cuff we often omit some of the things we want to include, if you will permit, I would like to read the statement.

Mr. BURTON. We will be glad to have you read the statement. How long a time will it take to read it?

Mr. KING. I hope it will not take me longer than half an hour. I will skip through it.

Mr. BURTON. Mr. King, before you proceed you might introduce the gentleman with you.

Mr. KING. Excuse me. This is Mr. Byron D. Woodside, the Assistant Deputy Administrator of the Office of Resources Expansion, DPA. He has been with the program from the beginning and, in my opinion, has done one of the finest jobs I have ever seen in Government. He knows the business thoroughly and is not responsible for any of its shortcomings but is very much responsible for much

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that has been done that is so good in this program. I have asked him to come because if you want any of the details, Mr. Woodside knows more about this business than anyone in Washington.

Mr. BURTON. After that build-up we will be glad to have Mr. Woodside participate.

Mr. KING. I am appearing before you this morning in response to a request made by Chairman Burton in a letter dated February 25.

The Office of Resources Expansion of the Defense Production Administration is responsible for the administration of Government financial aids and incentives to industry in furtherance of the program for the expansion of the productive capacity of the Nation. These financial aids include direct loans to business firms under section 302 of the Defense Production Act, procurement contracts of various types under section 303 of that Act, and accelerated amortization under section 124A of the Internal Revenue Code.

I will describe briefly the functions of the Office of Resources Expansion in administering each of these and describe the relationship of this office with other offices within the Defense Production Administration and with other agencies of the Government concerned with the expansion program.

The most important of these aids to date has been accelerated amortization which permits holders of necessity certificates issued by this office to amortize the costs of emergency facilities for tax purposes at a more rapid rate than is permissible under conventional depreciation rates.

Applications for necessity certificates are filed with the Office of Resources Expansion. That is our office in DPA. They are examined immediately to determine the nature of the commodity or service to be supplied by the proposed expansion, to determine whether the applicant has prime or subcontracts for military production, and to obtain certain necessary statistical information. In addition, as soon as the applications are received they are examined in our office by representatives of the Office of Small Business of the National Production Authority for the purpose of identifying those cases which should be classified as "small business." Those cases so identified are marked to indicate that fact in order that all persons dealing with the case may be aware that a small-business concern is involved.

After this brief initial examination, the applications are then referred by us directly to the appropriate industry divisions of the National Production Authority or to one of the other delegate agencies. I might say that these applications used to go from us to the delegate agencies through two or more other agencies, but that has been eliminated and we now send them direct to the delegate agencies. These divisions and agencies are staffed with experts in their respective fields and are charged with responsibility for the development of programs for the expansion of capacity and production in those fields. There the applications are reviewed with reference to estimated requirements or programs, the provisions of the application form, the regulations, and existing policies. Reports and recommendations are then submitted to our office for final action, and that action, of course, may result in the issuance of a necessity certificate or a denial of the application.

Mr. SEELY-BROWN. May I ask you a question at that point?

Mr. KING. Yes, sir.

Mr. SEELY-BROWN. You say:

They are examined immediately to determine the nature of the commodity or service to be supplied by the proposed expansion, to determine whether the applicant has prime or subcontracts for military production, and to obtain certain necessary statistical information.

Mr. KING. Yes.

Mr. SEELY-BROWN. Are they, by any chance, brought to the attention of the SPDA?

Mr. KING. The SPDA had not actually been in operation when we set up that system, and as a result we used the Office of Small Business of NPA to look at the applications. They have representatives sitting right in our office. We made this arrangement some months ago.

They examine all applications that come in and they decide whether they are small business. If they determine that they are small business—because, you know, it is very difficult sometimes, by various criteria, to determine that—they stamp them "Small Business," and then those applications are given such priority and assistance, as I will describe later, that we give to small business applications.

Since the establishment of SPDA we have had conferences with their staff, and only a couple of weeks ago we sat with their General Counsel and other members of their staff and went over their proposals, to see how we could improve our system. We said, "If you can help us to do it better, you will be blessed by us," and I believe you will find they will tell you we are working with them completely harmoniously on that subject, and any schemes or suggestions that they can make which will help us give small business a better break in this thing we are certainly willing to accept.

Mr. SEELY-BROWN. Who makes the initial decision in your office as to whether or not the matter is in the "small business" category?

Mr. KING. The representatives of the Office of Small Business of the National Production Authority sitting in our office make that decision. When they identify the cases as such, they are marked so and are handled on the basis of a small-business case.

Mr. BURTON. Is the definition in determining whether it is small business or not the same definition that we are using in this committee?

Mr. KING. I believe it is, sir. It is the one that has been used—Well, I will have to answer you this way, Mr. Chairman: I don't know exactly the definition that this committee is using. I can only say we have had a number of definitions and a number of efforts to identify small business by various methods.

I asked for the small-business representatives in NPA and DPA to meet with us some months ago, to help us figure out how we could identify small business, so we could take special steps to take care of those cases. They brought me a large pamphlet and we started talking about what is small business. We got into a discussion of the fact that small business in the textile industry means so many employees, but the same number of employees in the chemical industry is an entirely different proposition.

Then we began talking about the nature of the business and the many criteria that determined small business, we started talking about how we could determine what was small, and after discussing it for some time we decided, or we agreed if we in our office would try to determine that, we would have to be experts in that as well as in other fields, or even more than in other fields.

We, therefore, proposed to the NPA representatives of small business, because I think the SPDA had not been formed at that time, that whatever they determined was small business, whatever they said was small business, regardless of the criteria they used, we would give priority and preference to.

That is the basis on which we proceeded as a practical operating proposition.

Mr. SEELY-BROWN. Is there any duplication at this stage of the operation between the work of your department and that of the SPDA as it is supposed to be created?

Mr. KING. Well, not in our own shop. Whether the Office of Small Business of NPA could, with equal success and effectiveness, protect and promote the interests of small business is a matter of opinion. I happen to be one of those who feels that sometimes duplication in Government is necessary. Sometimes you get more results when a man is responsible particularly and especially for something than if you give him that duty along with a lot of other duties.

In NPA we had the Office of Small Business—I think we still do, although the duties are being transferred. Those men are able, energetic, and all that, and just as much interested as the SPDA. Whether you get more effective treatment for small business by setting it in a separate agency, as was done, I have no particular opinion on that.

As for our office in DPA, nothing we do is duplicated by what SPDA is doing.

Mr. SEELY-BROWN. You appreciate the fact, I am sure, particularly in view of the vote yesterday in the House, that the Congress is determined to establish and give the SPDA the necessary funds with which to operate, but I am also sure when the appropriation bills for other departments come up, they are going to be analyzed very carefully for any possible duplication of activities. That is why I asked you a question on that.

Mr. KING. Yes; I think it is appropriate.

Mr. DALMAS. Mr. Chairman, may I clarify this question of a small-business definition?

Mr. BURTON. I would be glad to have you do that. I think at this point it would be well to introduce our definition into the record.

Mr. KING. Yes.

Mr. DALMAS. As you know, Mr. King, the Selective Service Act, the Armed Services Procurement Act, and the Federal Property and Administrative Services Act have the "500 rule" in each of those by which to judge small business.

Mr. KING. Yes.

Mr. DALMAS. The committee, some 2 years ago, concluded that that was a rather awkward definition, because of the fact that if a man has 501 employees, you say that he is a big company. He might be in some industries, and he might be very small in other industries. So it was recommended at that time that small business be judged industry by industry.

Mr. KING. Yes.

Mr. DALMAS. In other words, taking a classic example, a small business in the steel industry may have several thousand employees, whereas, as you pointed out, in the textile industry he may have a very few employees. So in an effort to get through the Small Defense

Plants Administration amendment, our committee who sponsored the amendment, the House Small Business Committee, presented to the Banking and Currency Committee the proposition that SPDA be required to define small business industry by industry in all of their operations.

In the meantime the Department of Commerce had taken a business census and they adopted that philosophy, and I think that is the document to which you refer, based on the work of the Census Bureau. They have actually gone to some length in trying to define, industry by industry, what is small business.

Mr. KING. Yes, sir; I know that.

Mr. DALMAS. In that particular industry.

Mr. KING. Yes.

Mr. DALMAS. And that is the definition which the committee likes and which, as far as we are concerned, is the correct definition.

Mr. KING. That is certainly the definition that is being used by the representatives of the Office of Small Business in looking at these cases. If that were not true, if we were going only by the 500 definition, or a monetary limitation, an IBM machine could determine what is small business. That is not true. That is why we have representatives of the Office of Small Business sitting there applying to each application the various standards that you speak of.

Mr. DALMAS. Thank you, Mr. Chairman.

Mr. BURTON. Will you proceed?

Mr. KING. Yes, sir.

If the applicant has prime or subcontracts for military production and the expansion applied for is estimated to cost $100,000 or more, the case is also referred to the armed services or the Munitions Board for comment concerning the necessity for the increased production from the point of view of military programs. In addition, in appropriate instances a case may be referred to the Atomic Energy Commission or to the Justice Department.

As a result of delegations of authority pursuant to Executive Orders 10161 and 10200, and internal delegations within the defense structure, more than 50 widely scattered groups in Government actively participate in the handling of cases filed with the Defense Production Administration under the tax amortization program. One of the principal duties of my office is to coordinate and guide the activities of these groups in the administration of the program.

I would like to stress that, because it is popularly believed sometimes that individual persons, bureaucrats, sit over there and make these decisions about applications and these expansions. That is not true. We do have a system. That system does not always work and it has never worked as smoothly as we would like it to work, but we do have a system, and no one person makes the decisions that are essential to the granting of a certificate of necessity.

The activities of the Defense Production Administration are performed subject to the general direction, control, and coordination of the Director of the Office of Defense Mobilization. Under a policy directive relating to the issuance of tax amortization certificates published by the Office of Defense Mobilization in August of last year, we are required, in order "to assure consistency between the granting of necessity certificates and the determination of expansion goals," to grant certificates only for facilities that are included within

expansion goals determined by the Defense Production Administration to be necessary to meet established requirements. The determination of the extent to which industrial capacity must be expanded in order to meet the requirements of the mobilization program and the areas in which that expansion shall occur, are the responsibility of the Office of Program and Requirements of the Defense Production Administration, headed by Mr. Ralph Trigg.

Mr. SEELY-BROWN. You mentioned the word "areas." Would you explain the sense in which you used that word?

Mr. KING. By the word "areas" I meant not geographic areas but as it related to the field in which that expansion shall occur.

Mr. DALMAS. Mr. Chairman, there is one thing here that I would like to get cleared up before Mr. King goes on with his statement.

Mr. BURTON. That will be in order.

Mr. DALMAS. You have two things under consideration when you grant a certificate of necessity, particularly when that certificate of necessity carries a request for a loan. Now, we have some terms that, to my mind, have gotten somethat confused. We have the TA, which is the tax-amortization certificate, which is the certificate of necessity that you speak of, and then we have one which has been described to us as a certificate of essentiality.

Mr. KING. That has to do with the loans, as I will set forth here.

Mr. DALMAS. That is tied up with the loans. So if a man has his own money and meets the requirements he gets a tax-amortization certificate, but if that certificate is coupled with a loan then you also have to have a certification as to the essentiality of the product he is going to make. Is that correct?

Mr. KING. Well, I had not proposed to go into that now. However, if Mr. Burton wants to have this presented at this time and if you will permit, I would like to touch on that right here and now, about essentiality and necessity.

Mr. DALMAS. Those are the two things I would like to get clarified.

Mr. KING. I don't know whether I can clarify them for you, but, at least, I can state our dilemma about them.

People come to us constantly and say, "Will you grant us a certificate of necessity to expand facilities to make things for the defense program? Now, we can't find the money to do it, and we want money lent to us. You said 'it is necessary,'" they tell us, "and if it is necessary, then you have to give us money to do this thing."

Like all words in any language, I believe, words like "necessity" and "essentiality" are relative. There is no absolute definition of them. When we say something is necessary, or when we say something is essential, we mean necessary and essential in the light of the facts in the given case. When we say expansion in aluminum mills is necessary we do not mean that it is necessary under all circumstances or at whatever cost. Obviously, we mean under the circumstances described, under the conditions set, under the laws and regulations that are applicable, this is what we desire.

Now, if the circumstances are different, or if the facts change, it does not run on into eternity that this thing is essential and necessary.

The use of the word "necessity" refers to the tax-amortization certificate, and the phrase "certificate of essentiality" refers to the loan. In my opinion, the difference in wording is due to an accident of bureaucratic administration.

Formerly we had the responsibility for handling the loans in practically all their aspects, but last August we made arrangements with the RFC to be the banker, and we, therefore, have held on to only that authority which requires us to certify, in effect, that if you can get this product, this expansion in this way, it would be highly desirable, because there is a shortage of these things that we need for the defense program. But that does not mean under all circumstances, regardless of all other considerations; that means for this thing only, and that is the reason for some of the confusion.

I don't know whether I have added to the confusion or not.

Mr. DALMAS. No; I think you have clarified it.

Mr. KING. Now I just said that Mr. Trigg's office, the Office of Program and Requirements, sets the program. They determine whether there is a shortage and how much the shortage is, and how soon we will meet that shortage, and they set that up in what we call an expansion goal, which is sent to my office. This action permits us to begin to process individual cases by which we endeavor to meet the shortage.

It is only after we have the goal that we can go ahead with the cases individually. That again is something which many people do not understand and they come and argue with us saying, "You decide there is a shortage of this," or "You decide there is a shortage of that," but we do not make that determination in our office.

The Office of Program and Requirements sets the goals or programs, except that the Office of Aluminum in the Defense Production Administration, headed by Mr. Sam W. Anderson, has over-all responsibility for the development and progress of the aluminum-expansion program.

It is the function of the Office of Resources Expansion, which I head, to lend such financial aid and assistance as may be required to encourage industry to carry out the desired expansions within the programs determined by the Office of Program and Requirements and within estimated time schedules considered appropriate to the objectives of the defense program.

As you know, it has been a fundamental policy of the mobilization program to seek the required expansion of productive capacity to the maximum extent possible by private industry with private capital. It is for this reason that the tax-amortization program has loomed so large in the over-all effort as the principal incentive to industrial expansion.

I might add that this is where we have certain disagreements, ideological, economic, and so on, as to whether to use and when to use private capital and when to turn to Government loans, under what circumstances and for what purposes. Sometimes we say, "Well, if the Congress wants to do it differently they, of course, will do so, but we will stick to this policy until or unless the Congress changes the law." That is the crux of our friendly disagreement.

I might add in connection with the size of the tax-amortization program, we believe few people had any idea that this program would be as voluminous, with as many applications, as it is, and that everybody almost, I sometimes think, is in on the tax-amortization program. However, you must remember that applications are one thing and the granting of certificates is another, so when you hear of the granting of certificates in great bales, while we have granted them by the thousands, comparatively that is not quite as large as it looks.

As a matter of fact, as of the 25th of February, 18,400 applications for necessity certificates had been filed for expansions estimated to cost approximately $29 billion. What the applicant says he thinks what he proposes to do is going to cost when we give him the necessity certificate is still an estimate, and when you read that we have granted a tax-amortization certificate for such-and-such percent on a $55 million project, again that is the applicant's estimate of what he thinks the project is going to cost. What we have done is certify that it is necessary and that a certain portion is attributable to the defense program and therefore we give him a tax-amortization certificate applicable to that percentage, or we give it to the Internal Revenue Bureau. He then goes to the tax collector in a year or two or five years and he pays the tax, but the collector decides how much is involved. These sums are good indications of how big the thing may be, but they are not actual figures as to what you might say the "contingent liability" might be.

Our office had issued by the 25th of February almost 7,200 necessity certificates for expansions estimated to cost $14.6 billion and had denied 4,300 applications for expansions estimated to cost $3.2 billion. Approximately 65 percent of all cases filed have been processed. (See list on p. 712.)

Mr. SEELY-BROWN. Is the estimated cost of $14.6 billion still their estimated cost and not yours?

Mr. KING. Yes, sir; that is their estimate. Now, that part of the $14,600,000,000 that we have included in our tax certificates, which we have said is that part to which the certificate is applicable, amounts to something like $9 billion. I don't have the latest figure, but it is roughly $9 billion.

So if all these taxpayers went ahead with their expansion and all of them decided to use the tax certificates, and all of that percentage was applicable to what they did, and the tax collector agreed with them at the time they tried to use them, we would be involved with $9 billion worth of tax certificates.

Mr. MULTER. May I stop you right there?

Mr. KING. Yes.

Mr. MULTER. That kind of comparative figure is what gives rise to what we have been hearing in our committee. The fellow who has a big job gets tax exemption, but the fellow with the small job can't get it.

Mr. KING. We believe we can show you, Mr. Congressman, that that is not quite as true as it sounds.

Mr. MULTER. Just looking at those figures, it would appear that that would be so, would it not? Just divide 7,200 into $14,600,000,000, and divide 4,300 into $3,200,000,000, and it is apparent that the fellows with the small jobs did not get certificates while the fellows with the big jobs did.

Mr. KING. First, I agree, for reasons which I will state, that there has been a preponderance of expansion in the basic industries. That is the whole burden of my statement.

Second, I think I can show, in spite of that, a very great deal of participation in this program by small business, or by what, as far as we can see, is small business.

Mr. MULTER. I am not giving you my own conclusion, I am just telling you what the figures indicate, which may be a reason why we get so many complaints.

Mr. KING. I think it is natural that in a program of this kind you would have those complaints, and I think it is basic and natural in a program of this kind that it would tend to favor, that is, a defense program would tend to favor big business, and that small businesses, in a period of shortage, of trial and tribulations, do suffer more, there is no question about that.

That is why committees like this and administrations like the SPDA are vital to our system. They cannot always make sure that we can do this defense job with small business, but they can help make sure that all of us who are in the program are constantly aware of the fact that if we can do some of these things by the use of small business, we give it to small business.

I can give you examples of our having done that right along, as I will be glad to describe to this committee a little later.

Mr. SEELY-BROWN. Do you grant a certificate of necessity to an existing plant in order to modernize an existing facility in a particular locality? In other words, if I have a plant in my area that feels it can do a better job and a cheaper job if its plant is modernized, would you grant a certificate of necessity under that kind of situation?

Mr. KING. Not a better and cheaper job. If you can get more defense production, substantially more defense production, which we cannot get equally as well by other facilities that are available, we then would probably grant you a tax certificate.

The percentage of that certificate, however, would be affected greatly by the extent to which your new operation was a replacement or was simply a continuation of what you would have done, anyhow, or should have done.

Mr. SEELY-BROWN. Certain industries in the New England area—I am from Connecticut—are moving down South and one of the reasons suggested for this move down South is that they can get a certificate of necessity to build a new plant down there and the plant that Uncle Sam finances moves South, leaving a lot of our people out of work. I am trying to protect the interests of those in my area who need jobs.

Mr. BURTON. I could answer your specific statement as to doing it in the South. I think the figures will show that the South is getting less than its share.

Mr. KING. Some people say that South Carolina has a hydrogen plant to cost $1,250,000,000, and that ought to outweigh a lot of other things. My answer has had to be, which is a fact, that a State like South Carolina does not have the proportion of basic raw-material industries that many other States have, and it is those industries upon which we have concentrated and which this program is very much aimed at, as I show in my statement.

We want to stress that. There is nothing more important to the understanding of how we approach this program and why we seem to be favoring big business.

Mr. SEELY-BROWN. How about textile mills? If a textile mill should move South would you give it a certificate of necessity?

Mr. KING. I have had plenty of people visit me about textile mills and not one of those people, as far as I know, has received a tax certificate. However, they have come in and proved that a particular plant makes—whatever they call this rayon cord——

Mr. SEELY-BROWN. High tenacity.

Mr. KING. That a particular plant makes high tenacity rayon cord. The military strongly supported that. Where there is a military need for some product, a need which has been determined by our "due process," not by somebody's whim or personal view that it is necessary, which is urgently needed in the defense program, we do grant certificates.

Mr. SEELY-BROWN. To the best of your knowledge, none of those have been granted specifically in the textile industry?

Mr. KING. That is right; yes, sir; and definitely none would be granted to move any textile business from one place to another.

Mr. BURTON. The certificates of necessity are less necessary because of the fact that those industries in that area are already completely modernized.

Mr. KING. That is very true. Obviously, they move down there for other reasons which I am sure neither Mr. Burton nor I need go into here.

Mr. SEELY-BROWN. I recognize that. I wanted to get specific information as to whether the certificate of necessity is a factor in the move.

Mr. KING. I believe it is not. I believe it has been belabored as one of the reasons for these moves. I would be glad, if you want us to, to try to give you an analysis of that at some future time.

Mr. SEELY-BROWN. If you could put it in the record, I would appreciate it.

Mr. KING. All right, sir.

Mr. SEELY-BROWN. I am trying to get the true facts and fair facts about this thing.

Mr. KING. I will try to show you the extent to which the textile industry has received tax certificates.

Mr. SEELY-BROWN. Yes, sir.

Mr. KING. As to the reason for the move, we can't go into that.

Mr. SEELY-BROWN. We will give you an opportunity to develop the facts.

Mr. KING. Fine.

(Exhibit 15 in the appendix.)

Mr. BURTON. If you will proceed.

Mr. KING. I do not want to take too much of the time of you gentlemen with this.

Mr. BURTON. That is an important matter.

Mr. KING. The 34 industry divisions of the National Production Authority and the other agencies of Government, which I have referred to, are responsible, in the first instance, for the formulation of expansion programs and requirements. These programs in turn are scrutinized and reviewed by the Office of Program and Requirements of the Defense Production Administration for the purpose of fitting each program into the over-all effort.

Materials allocations and financial aids are the principal tools by which stimulus and direction are given to those expansions deemed most essential to the implementation of Defense Production Administration policies.

Allotments of materials for various programs are handled at the Defense Production level by the Defense Production Administration Requirements Committee. Allocations within programs then become the responsibility of the respective delegate agencies.

As I have said, the industry divisions of the NPA, the Defense Electric Power Administration, the Defense Transport Administration, and so on, of other delegate agencies, develop the programs and they present them to the Office of Program and Requirements of DPA, and that office then fits them into the over-all effort.

As a matter of fact, it does more than fit them in; it gives them the stamp of authenticity.

For a while sometime ago everybody had a defense expansion program. You could talk to the businessman, or the industry division, or almost anybody and they would tell you that there was a shortage and that you ought to have an expansion program in this, that, or the other.

Well, we set up a system which requires that any expansion program under which we operate is a program which is approved by the Office of Program and Requirements and no other place. All others are just opinions, as far as we are concerned.

The Office of Progress Evaluation in the Defense Production Administration secures information periodically from the holders of necessity certificates to determine the extent to which expansions, certified as necessary in the interest of national defense, have proceeded. In addition, the various delegate agencies and industry divisions are in constant touch with industry in their respective jurisdictions and follow very closely the progress being made in the construction of additional plant capacity.

I particularly include that because it has been asked, "How do you know, when a program is approved and you grant tax certificates, that you will get your expansion and what the situation is?" We get that information through the Office of Progress Evaluation.

Mr. DALMAS. Mr. Chairman, may I ask Mr. King a question?

Mr. BURTON. Yes.

Mr. DALMAS. Who is the head of the Office of Progress Evaluation?

Mr. KING. That is in the process of change. It has been Mr. Nathaniel Knowles. Mr. Malcolm Catlin has now taken over the office.

Mr. DALMAS. It is part of his job to see that these expansion programs, such as steel, aluminum, and copper, keep up with the schedule?

Mr. KING. It is his job to report whether they are or are not on schedule.

Now, I would like to stress to this committee that one of the primary objectives of the Defense Production Administration is to achieve a substantial increase in our capacity to produce certain basic raw materials. By this means we believe we will be able to support a substantial military effort of uncertain duration and at the same time maintain a strong civilian economy, all within the framework of our competitive system.

By increasing available supplies of raw materials, it should be possible to minimize the impact of a substantial mobilization effort upon normal civilian production and particularly upon the many smaller members of the business community who almost always suffer the greatest in times of shortages.

Accordingly, we have concentrated upon expansions designed to increase supplies of those raw materials and services which, experience has taught, are most essential to these objectives.

This effort is reflected in the actions taken to date in the issuance of certificates of necessity. If you will refer to the list which is attached to this statement, you will note that iron and steel accounts for 19 percent of the dollar cost of expansions so far certified, and if coal, coke, iron ore, and certain other projects auxiliary to the steel program are added, approximately 25 percent of all expansions aided by accelerated amortization are for the purpose of increasing our capacity to produce steel at a level of approximately 120 million ingot tons by 1953. Many of these projects are already in production.

DEFENSE PRODUCTION ADMINISTRATION,
Washington, March 10, 1952.

DISTRIBUTION OF CERTIFICATES OF NECESSITY BY PRINCIPAL INDUSTRIES AS OF FEBRUARY 25, 1952

As of February 25, 1952, there had been 7,188 certificates granted for total proposed investments of $14.6 billion. The following 15 categories represent 93.5 percent of the dollar value of these certificates, and show the emphasis which has been placed on basic materials, transportation, and other basic programs directly related to the defense effort.

The basic materials including iron and steel, chemicals, petroleum, nonferrous metals, and nonferrous mining, pulp, and paper, iron-ore mining and coal and coke account for 53.5 percent of the total dollar volume. If transportation and power are added, the percent thus accounted for is 80.2 percent.

Major programs	Number	Proposed investments	Grand total
		Thousands	*Percent*
Iron and steel	542	$2,810,348	19.3
Railroads, other transportation and storage	887	2,576,837	17.7
Chemicals and allied products	507	1,686,354	11.6
Public utilities	150	1,318,522	9.0
Crude petroleum and natural-gas extraction, petroleum refining and natural gasoline	240	1,131,087	7.8
Aluminum and other nonferrous metals	176	798,410	5.5
Aircraft and parts	727	710,621	4.9
Pulp and paper	97	602,932	4.1
Machinery (except electrical) and parts	1,088	478,666	3.3
Iron-ore mining	86	386,098	2.6
Electrical machinery, equipment, and supplies	413	279,338	1.9
Stone, clay, and glass products	219	242,382	1.7
Ordnance and supplies	398	225,040	1.5
Nonferrous mining	54	218,215	1.4
Coal and coke	63	171,647	1.2
All other	1,541	942,597	6.5
Total	7,188	14,579,094	100.0

I might add, when you speak of 120 million ingot tons by 1953, you can get an argument in almost any office on what do you have and what are you going to have, and how much can this mill produce in 1952–53, how much of the rated capacity can you include and how much can you step it up by washing the coal, by this method and that method, by technological improvements of all kinds.

What we are aiming at is 120 million ingot tons. We have already certified capacity which theoretically would give us something like 122 million-plus-tons of ingots. But nobody knows, nobody can tell us, how much of that capacity is going to fall by the wayside, how much is not going to be used as efficiently as it should be, or how much of the old capacity is going to be maintained. The 120 million ingot tons is our minimum goal. That is what we are aiming at and want to be sure we can get.

Steel, petroleum, aluminum, chemicals, pulp, and paper—all basic raw materials—together with electric power and transportation, account for 80 percent of all projects so far certified. That is the reason, of course, that you hear that big business is the principal beneficiary of this program.

Mr. BURTON. That is practically all big business.

Mr. KING. That is particularly true in steel and petroleum. I would like to refer to a little incident attributed to Mr. Wilson. Somebody asked him, I think it was a committee up here, why did not he get small business into the aluminum program. He said he had searched the country all over for a small-business man who could put $100 million into the aluminum program, but he could not find one. How many small-business men can you get to go into steel?

We do have some small business in some of these industries, however. We have definitely taken steps and we are using the procedure I have outlined. The gentlemen from the Office of Small Business, that I referred to as working in our office, in applying their standards to the applications, identify some companies as small business in the steel industry, or petroleum, and so on. So by definition we do have small business participating even in the programs, but the running reader usually does not think of small business in these industries. He does not usually think of small business in connection with a steel company that has blast furnaces and can produce raw materials.

Mr. SEELY-BROWN. Sir, when you talk about your goals, do you refer to the goal which would be necessary if the Department of Defense spent all the money which we have allocated or provided, namely, $7 billion a month, or are you talking about a goal more in keeping with what they are actually spending, which is about $4 billion a month?

Mr. KING. We do not determine the goal. It is Mr. Trigg's office, the Office of Program and Requirements, which sets the goal, which takes into consideration in the determination of the goals as well as in the allocating of materials by quarters, the available supply, the chew-up rate, all those things, so the factor that you mentioned has been taken into consideration by the office which sets the goal. But they have also taken into consideration as well as the military program, the supporting program, the things without which the military program cannot be done, such as maintaining a healthy, strong civilian economy.

They give us the goal, and as officials we do not look behind the goal. As citizens we may have our opinions, but the way the system works it is none of our business to argue about the goal.

We stress that, because we do not want the persons who are handling the individual cases, fitting the individual cases into the programs, we do not want them arguing about whether there is or there is not a shortage. That is not their job, they have other jobs to do.

You can well understand that you could not get many cases settled to the satisfaction of many people if every examiner, or every industry division which recommended a case, recommended and acted on it in the light of that person's opinion as to what the shortages were and how important they were.

For example, take toilet tissues that some people in the DPA have argued are unnecessary to the defense program. Many persons do

consider them very necessary. It is a matter of what is an important and necessary program.

In an effort to get away from personal subjective conclusions on these matters, a system has been set up in DPA that is something like our judicial system in which the judge determines the law and the jury determines the facts. The Office of Program and Requirements determines what is needed and when, and then we help with financial incentives to get the expansion that has been determined to be needed.

Mr. BURTON. Proceed.

Mr. KING. I have just said that steel, petroleum, aluminum, chemicals, pulp, and paper—all basic raw materials—together with electric power and transportation, account for 80 percent of all projects so far certified. Aluminum and other nonferrous metals expansions, for example, have accounted for 5.5 percent of the total dollar value.

All applications so far filed relating to the production of alumina and pig aluminum have been processed. These applications were filed by the four producers of basic aluminum. These projects, when completed, will increase capacity to produce aluminum by approximately 685,000 tons per annum—almost doubling our capacity.

I would like to add right there what I think is a very important point. It is true that no small business that I know of has gotten into the aluminum program. There are four big companies, counting the new Anaconda entry. However, it stands to reason that if you double the aluminum capacity in this country—and the aluminum is starting to pour out—if we do not have an all-out war, aluminum is going to be available to a far greater extent than it has ever been available, in which case the small-business man, the fabricator, and the dealer and the salesman, people in this country are going to be in the aluminum business by the score, hundreds of people who have never been in the aluminum business before because aluminum was scarce. If we have an all-out war then, of course, the aluminum will go into the war effort and then, too, the small-business men will be in the picture. That illustrates as well as anything we have the fact that when you are starting a basic expansion program to expand your economy for the long pull, which is what we are doing, you do not get the impact of the program down among the grass roots, the small-business man, until the stuff begins to come in.

When you get more aluminum, you will get more people in the aluminum business. During a period of shortage when you are doing the best you can with all you have, the small-business man is obviously and definitely at a disadvantage, no question about it.

Mr. BURTON. But in having four substantial producers of aluminum, that increases the number of companies that we have in the industry, doesn't it?

Mr. KING. Yes; some years ago it was only one company, and after the war we had three, and now we have four. Somebody said, "Why do you let Anaconda, a big company, big business, into aluminum?"

The first reason was we could not find a little fellow with $100 million. But another reason was a company like Anaconda simply offers more competition in the aluminum business than a little man who barely can scrape along on a shoestring and who is hanging on by Government aid. You could not put that little man among the giants who are already in the business and expect him to compete.

Anaconda is a giant, but, as I say, that was not the reason for choosing Anaconda, but because they were the only people ready, willing, and able to get aluminum, and that is what we are after in this case, is getting the aluminum.

Mr. BURTON. Where would your production come? From what part of the country?

Mr. KING. It is up in Montana because the power is there, and the power contract had a great deal to do with the selection.

Mr. BURTON. Is the raw material there?

Mr. KING. It is not there, but it can be brought there and processed and distributed from there. It was selected also for other purposes, strategic and otherwise, for reasons of dispersal, safety from attack. The sum total of all the factors made it sensible.

Mr. BURTON. Does the Government produce the power?

Mr. KING. Yes. This is the Hungry Horse power.

Mr. MULTER. Do you touch on tungsten in your statement?

Mr. KING. No; I touch on the mechanism by which programs like tungsten are expanded. That is something that is handled through the Defense Materials Procurement Agency. It handles this procurement and expansion program, you might say, under our direction, that is, under our financial control, but they actually handle it, and I will describe here how it is done.

Mr. MULTER. I have a very specific case in mind that was called to my attention. That is why I mentioned it. These people apparently have the ore there. I say they apparently have it, because the big fellows who are in the tungsten business tried to buy them out. And yet they cannot get the financing with which to put up the mill.

Mr. KING. We will certainly make a note on that and look into it. I don't know anything about the tungsten situation.

Mr. MULTER. That is another instance that came to my attention. Here is a fellow who needs $750,000 with which to put up the mill. He has got the mining properties. I cannot vouch for it, I don't know. I do not pretend to know whether they have or not, but they say they have got the ores there, the mining properties, and the fact that the big fellows are in the field trying to buy them out indicates to me they must also agree that the ore is there.

Mr. BURTON. Are they established?

Mr. MULTER. Yes.

Mr. KING. If they have tungsten or can produce tungsten and it is not being done, regardless of the reason, we are very much interested in it and we will make a note of it and take a look at it.

Mr. MULTER. I will give you the exact location of the mine.

Mr. KING. That is fine. As I said, it is the Defense Materials Procurement Agency which handles that, but we can certainly do business with them.

I mentioned aluminum and talked about how the new supply of aluminum could help many, many small business people in aluminum.

All applications filed for increasing the production of steel ingots likewise have been processed. Practically all applications for expansions of blast furnace capacity have been processed or are being processed. Iron and steel applications which remain unprocessed relate principally to the rounding out of major programs already under way.

These applications are being handled as rapidly as possible by the Iron and Steel Division of NPA and by our staff. The applications

relating to the steel ingot expansion program were filed by approximately 120 companies, and companies of all sizes are participating in the program to the extent that they considered to be within their capabilities or their willingness to expand.

Because of the difficulty of identifying companies which could be characterized as small business, due to the wide variation in the criteria which might be employed for this purpose, I am unable to give you what I would consider to be definitive figures showing iron and steel expansions proposed by large and small concerns.

We, of course, have no control over the number or size of companies which may apply for necessity certificates. Further, the initiative lies with a company as to the type and extent of any expansion which it may be willing to undertake.

As I said, we do not have a breakdown of that. We are getting it. If I might digress for just one second, our lack of operating statistics has been one of our great administrative weaknesses in this program, and that was the result of having to deal with three other Government agencies. It is almost unbelievable that we could not get the operating statistics we need. In the last few months we insisted on them. It is difficult for us to do business without getting operating statistics, without knowing what we are doing more accurately and more quickly.

As the result of our insistence, we will be able, in almost a few days, to give much more accurate statistics and current statistics on the breakdown of these cases. (Exhibits 16 and 17 in the appendix.)

Mr. DALMAS. Mr. Chairman?

Mr. BURTON. Mr. Dalmas.

Mr. DALMAS. This committee, as you may recall, recommended that NPA be consolidated with DPA. I wonder if that would not facilitate your operation a great deal if that were done.

Mr. KING. In our business we are completely consolidated. We were completely consolidated last December.

Mr. DALMAS. Except on paper.

Mr. KING. In our particular Office of Resources Expansion we have even done it on paper. We have eliminated two whole set-ups between us and the industry divisions. When I came into DPA, Mr. Fleischmann immediately assigned to me all the functions having to do with this program, no matter whether they were in NPA or DPA.

I looked into it, and Mr. Woodside and I both—Mr. Woodside did most of the work on it—we pushed along and we eliminated the planning and review staff of the Department of Commerce which handled these cases, we eliminated the NPA Tax Amortization Division which handled these cases, and we made arrangements to handle the cases directly from our office to the industry divisions and delegated agencies. They are the experts that study them, they make the recommendations and we make the decisions. It is as simple as that, and there is not any longer the necessity, which formerly existed, for businessmen or for other people to come to Washington about their cases and to be sent from one place to another, to talk to one man or another and to end up having assurances that their cases were fine, that there was a shortage in this thing and they could get action next week, and that the people they saw approved it, and then finding out that they did not get action.

The reason they did not get action was that in many instances they had talked to people who did not have the power to make a decision.

There were people in the set-up who were trying to help, energetically and patriotically, but who did not have the authority and the say-so.

The office under Mr. Fleischmann, which Mr. Woodside was operating, was doing the job, and we therefore eliminated what I regarded as all this extraneous, this jungle of bureaucracy, between the man who made the decision and the experts whom he wanted to consult. That we did, as I say, in December, and I do believe you will find now that we have a great deal less of that kind of ordeal.

Mr. SEELY-BROWN. In addition to the other savings, you have the savings in manpower resulting from that consolidation.

Mr. KING. We use fewer people than we did. We do not have the savings that one would expect, at least that I would like to have, because we had a backlog of many thousands of cases and that backlog has now been reduced.

As I said, we have handled 65 percent of the cases, and I believe we will have the backlog wiped out, or we will just have a current backlog, during the next 60 or 90 days.

Mr. SEELY-BROWN. When that is done there should be an appreciable saving?

Mr. KING. Yes.

The first thing to do, as I see it, is to do the job better, to do it more understandingly, more systematically and thoroughly. What has been done by people like Mr. Woodside—the reason I praise him so much is because I know the job he did. He was like a man standing with both hands in the dike, with water pouring over him. He and his associates had thousands of applications pouring over them, and thousands of businessmen and others asking, what about this case, what about that case. The miracle is that they did such a fine job, and I think it is one of the finest jobs I have seen in Government.

To continue my statement, I believe that the fact that almost 120 companies of all sizes in the iron and steel industry have applied for and received necessity certificates indicates that participation in the iron and steel expansion program has been industry-wide.

All applications for the expansion of copper mining, smelting, and refining, so far recommended to us by the delegate agency, the Defense Materials Procurement Agency, have been processed by our office.

As you know, there are only a small number of copper producers in this country. Accordingly, relatively few applications have been filed. The applications already processed relate to expansions which are expected to increase the supply of domestic copper by 167,500 tons by 1956. (Exhibit 18 in the Appendix.)

As you gentlemen know, I am sure, the copper situation is one of those in which the end of the shortage is not in sight. We can get more copper but not enough more, like you can in aluminum and steel.

I now leave temporarily the tax amortization program and take up the loan part of our functions.

As mentioned earlier, the Office of Resources Expansion also administers the direct loan program under section 302 of the Defense Production Act. Under the original Executive orders, the Reconstruction Finance Corporation acted as the fiscal agent for the defense agencies in making investigations and recommendations concerning loans, in disbursing those loans certified by the Defense Production Administration, and in servicing such loans.

The delegate agencies and the Office of Resources Expansion were responsible for the determination as to whether a loan should be made and for the terms and conditions of such loans.

Last August, under part III of Executive Order 10281, the Reconstruction Finance Corporation was authorized and directed to make loans under section 302 of the Defense Production Act upon certificates of essentiality issued by the Secretary of Agriculture with respect to food and food facilities, and by the Defense Production Administration with respect to all other materials and facilities.

In October, pursuant to understandings reached with the Defense Materials Procurement Agency, and the Office of Defense Mobilization, the Defense Production Administrator delegated to the Defense Materials Procurement Agency his authority to issue certificates of essentiality in regard to loan applications filed for the production of those materials, the procurement of which is the responsibility of the Defense Materials Procurement Agency.

In general, this field is restricted to basic metals and minerals, and that includes, Mr. Multer, the tungsten, cobalt, nickel, and such things. At the same time the Defense Production Administrator delegated to the Export-Import Bank his authority to issue certificates of essentiality in regard to loan applications filed for the production of those materials, the procurement of which is the responsibility of the Defense Materials Procurement Agency, but which are to be produced in a foreign country.

Upon the issuance of this order, therefore, it became the responsibility of the Defense Production Administration, with the assistance of the various industry divisions and delegate agencies, to make reports and recommendations concerning loan applications, limited to a determination of essentiality of the proposed expansion in relation to programed requirements; in other words, within a program, and a goal.

Executive Order 10281, delegated to the Reconstruction Finance Corporation all responsibility for the financial aspects of loans. Accordingly, since August of last year, the functions of this office with respect to loan applications have been very similar to our functions under section 124–A, that is under the tax amortization program.

We are concerned principally with questions of shortages, production, and capacity, whether additional capacity is required in order to meet expansion goals determined to be necessary and whether the expansions applied for are sufficiently important to justify the employment of section 302 funds.

Incidentally, we do not try to say when we certify essentiality, or fail to do it, that this is not important or this is something that the Government should not participate in, or anything else but that within our criteria and under the laws and regulations and Executive orders, this doesn't fit a program sufficiently and appropriately enough to cause us to certify that we should use Defense Production Act funds for the purpose. It does not preclude people from getting RFC funds.

Mr. SEELY-BROWN. You have no authority whatsoever in regard to the expansion if the program is outside of the United States for the development of the sources?

Mr. KING. We do not in the DPA itself, not in our particular office, but as I show a little later, there is a system for that.

The Defense Production Administrator calls upon the Defense Materials Procurement Agency to get up a program for the expansion of tungsten, for example, and DMPA says, "Here is what we can get and here is how, and here is what it will cost." If we want them to go ahead, we approve the program and grant the authority to borrow the money. They then go ahead with it, they handle it, but we maintain control over it. We can say, "We don't need any more tungsten and therefore we will not approve the program for tungsten."

Mr. MULTER. What happens if you certify that it is necessary and the RFC says, "We will not loan in this particular instance"?

Mr. KING. We can reiterate its essentiality and if they fail to grant the loan, we can go to Mr. Wilson.

Mr. SEELY-BROWN. How about the Export-Import Bank?

Mr. KING. The same agreement holds there. What would happen would be what would happen in any group of supposedly intelligent and surely patriotic gentlemen. We would get together and we would say, "Why won't you lend on this?" They would say, "We don't think this is a good risk." We might say, "It is too bad about the risk but this is vital. We need it for this or the other program. And, nevertheless, we would like you to go ahead."

I don't think we have run into any of those yet under this arrangement. At least, if we have, it has not been important enough to cause trouble. It is inconceivable that we could not pick up the phone and call Mr. Wilson and that Mr. Wilson could not settle it. I think it is a perfectly workable system.

Mr. SEELY-BROWN. Could I ask another question in connection with that, sir?

Mr. KING. Yes.

Mr. SEELY-BROWN. Certainly, we have a very critical copper situation facing the country. You certified to that. You certify that it is perfectly proper in your opinion to have the United States Government, through one of its agencies, go out in the world market and develop copper resources in other parts of the world.

What assurance do you have that the copper which is going to be developed is then going to be made available to us to relieve our situation?

Mr. KING. You are speaking of what we call the IMC, I imagine.

Mr. SEELY-BROWN. Yes.

Mr. KING. In the first place, I have nothing to do with IMC. I know about it only as a citizen who reads the papers, or maybe just a little more than that. I do not have the responsibility for that. I hesitate, as a Government official, to try to get into that and try to mislead you into thinking I know something about it.

Mr. SEELY-BROWN. I am lacking in information and that is why I asked the question.

Mr. KING. I realize that. I do not want to dodge your question, I just want to disqualify the witness.

Mr. MULTER. Let me give you this bit of information at this point. At least, with reference to South America, this is what is being done: They are opening up high-cost mines in certain cases involving strategic materials, and as a condition of making the loans through the Export-Import Bank at the same time a contract will be negotiated

simultaneously with whatever the purchasing agency may be, for purchasing for the Government on a long-term basis so that we will get the product of that mine.

Whether it is a high-cost or low-cost mine, the same procedure is used. As a condition of the loan being made, a purchase contract is being made so we do get the materials. The different departments cooperate in making the contracts.

Mr. KING. Yes. I could touch on that.

Mr. BURTON. In Yugoslavia, as an example, we are getting 80 percent of the product of the mines in lead and zinc as a condition of our loan.

Mr. KING. As to allocations, and IMC, it is my understanding that we get copper under these contracts, the fact that we have gotten the copper enters into the considerations of the IMC, with all the nations working together, and then we get our share of the total available supply.

As I say, I would rather not go into that.

Mr. SEELY-BROWN. You have no responsibility in determining as to what is our share?

Mr. KING. No, sir.

We are responsible for helping to get more in our country, and expand the supply abroad, too, after it has been determined that we need more, or we need so much of this at such-and-such a time.

When we get the go sign from Mr. Trigg's office, we then use our incentives in trying to promote the expansion of that product.

Mr. SEELY-BROWN. Who would determine our share?

Mr. KING. Well, as far as the Government of the United States is concerned, it is done by DPA under Mr. Wilson's supervision and with the cooperation of the State Department and other Government agencies such as the Interior Department and many others sitting in.

Mr. MULTER. Does the United States participate in many of those items?

Mr. KING. Yes, but I haven't gotten into that. It is something that I will get into it, but not in connection with this job.

Mr. BURTON. On these questions that are coming, your statements are very pertinent.

Mr. KING. I should probably not answer them so fully.

Mr. BURTON. They are interesting for the record. We wish to ascertain the facts.

Mr. KING. That is fine. I will go right ahead then.

As of the end of February, 132 loans had been certified by the Defense Production Administration for a total of $173,878,000. Of these, 19 loan applications for $8,822,000 are awaiting final action by the Reconstruction Finance Corporation.

Eight loans have been made to companies in the steel industry for a total of $39,159,000 of section 302 funds. In two of these latter cases the Reconstruction Finance Corporation participated under its regular lending authority to the extent of an additional $53,556,000. One loan was made for increasing copper production involving $57,185,000 of section 302 funds. (Exhibits 19 and 20 in the appendix.)

I mention the RFC participation there to call your attention to the fact that just because a person cannot get a section 302 loan from

DPA, it does not mean he cannot go to RFC and get the money from them.

No loans have been made to any aluminum producers under section 302.

In my opinion, all of the section 302 loans certified by the Defense Production Administration, with the possible exception of the $57 million loan to the Copper Range Co. for the expansion of copper production which was certified by the Defense Production Administration prior to the delegation of authority referred to above, can be regarded as loans to small-business enterprises. As I said, I will have the statistics later to analyze these things better, but, in general, the loans do go to the smaller companies in the industries. As Mr. Dalmas and others have pointed out, I imagine that is one reason, in fact I know that is one reason, that the Congress has passed the Defense Production Act.

There are pending with the Defense Production Administration 137 applications for loans involving $475,546,000. These cases are under active consideration by the various industry divisions of the National Production Authority and the delegate agencies, and will be processed by the Office of Resources Expansion as rapidly as reports and recommendations are received.

Under existing procedures, all loan applications are filed with the Reconstruction Finance Corporation, which, in turn, refers those applications to the Defense Production Administration in which the production is under our jurisdiction and where an expression of our views as to the essentiality is considered necessary. At the time a loan application is filed it is not known whether a loan, if made, may involve funds under section 302 of the Defense Production Act or funds of the Reconstruction Finance Corporation under section 4–A of the Reconstruction Finance Corporation Act. Accordingly, loan applications may be referred to us which may not relate to section 302 of the Defense Production Act.

The functions of the Office of Resources Expansion in the procurement activities under section 303 of the Defense Production Act are limited to the fiscal aspects of such operation.

(Exhibit 21 in the appendix.)

The overwhelming proportion of programs under such authority deals with the expansion of production of materials for which the Defense Materials Procurement Agency is responsible. However, there are notable exceptions, such as the machine tool program, which was sponsored by the National Production Authority.

The general procedure by the Defense Materials Procurement Agency and the Defense Production Administration is as follows: The Defense Production Administrator through the Office of Program and Requirements, Mr. Trigg's office, by letter, requests the Administrator of Defense Materials Procurement Agency—that is Mr. Jess Larson—to develop a resources expansion program, stating a firm quantity of the material required and the time within which such requirements should be attained.

On the basis of such request, the Defense Materials Procurement Agency develops a program or the portion of a program which will be contracted for during the current and next fiscal year. The program states the total additional production needed and its financial

requirements, indicating separately the amount already certified, the portion to be contracted for in this fiscal year, and the amount scheduled for the next fiscal year. A statement is also made as to the types of financial assistance that will be required, such as tax amortization, loans, procurement contracts, and so forth.

Upon approval of any particular program, the Defense Production Administrator certifies it to the Defense Materials Procurement Agency and authorizes the borrowing authority under section 304 of the act.

The Office of Resources Expansion prepares the certificate and keeps appropriate financial records of all borrowings authorized under section 304. Periodic statements are also prepared as to the status of the total borrowing authority authorized by and pursuant to section 304. Our office also prepares for budgetary purposes, forecasts of borrowing authority which will be required by programs proposed by the several delegate agencies.

I have already referred to the difficulty of identifying applications filed by companies which might be regarded within their respective fields as small-business concerns.

The Office of Small Business of the National Production Authority has for some time been scrutinizing incoming applications for this purpose. They have not been able to make a complete review of all cases filed. We are not, therefore, in a position to supply the committee with an analysis of applications filed by and certificates issued to all small-business concerns. Such a study is now in progress and we hope that in the near future fairly comprehensive statistics on this subject can be available.

Mention has already been made of the fact that approximately 80 percent of the dollar cost of expansions were concentrated in seven major fields, all of which involved heavy industry.

These expansions represent approximately 40 percent of all certificates issued to date. In other words, 60 percent of the certificates so far issued have related to the remaining 20 percent of the dollar cost of expansions so far certified. Although individual applicants in many instances have filed multiple applications, the above figures nevertheless may be regarded as a rough index of the extent to which expansions have been certified in areas other than the seven first mentioned.

Since it may be presumed that in general the opportunities for small-business concerns are rather limited in these categories, I think a fair conclusion would be that a large part of the remaining 20 percent of the dollar certified represent expansions by the light industries in which the opportunity of small-business participation is much greater. Further, the number of certificates issued may be considered an indication of a very substantial participation by smaller business concerns.

In certain fields, expansions have been certified almost exclusively to small-business concerns; for example, applications relating to the expansion of production of steel scrap, machine tools, and a wide range of activities involving subcontracting on Government contracts have all reflected expansions by smaller business concerns.

Recently, the Office of Small Business of the National Production Authority reviewed 1,400 applications which have been recommended to the Office of Resources Expansion by the delegate agencies and

industry divisions and which were pending with us around the first of the year. This review disclosed that between 900 and 1,000 of these 1,400 recommendations related to small-business enterprises. A check of these cases during the last week of February disclosed that all but 16 of the recommendations identified as small business had been processed to final action since the first of the year.

I would like to add that a study has been completed, a day or so ago, of 7,011 cases as to which certificates had been issued through March 1, 1952. Of these cases, 5,026 were classified according to the number of employees. Employment data for the remaining 1,984 cases had not been secured at the time the tabulations were begun. This study shows that approximately 48 percent of these certificates had been issued to firms having less than 500 employees. The proposed expansions of these firms were estimated to cost approximately 11 percent of the total dollar cost.

We have been cognizant of the mandate of section 701 of the Defense Production Act throughout the administration of the program. We have also recognized the importance of the views of the Joint Committee on Defense Production concerning this matter as reflected on page 13 of its report published in October of last year. It is with these things in mind that a number of procedures designed to facilitate the disposition of applications filed by small-business enterprises were initiated as follows:

1. Pursuant to arrangements with the Office of Small Business in the National Production Authority, personnel of that office examine all incoming cases for the purpose of securing a determination from Social Security Administration, Federal Security Agency, as to those cases which should be identified as "small business."

Upon receipt of this information, advice is immediately forwarded to the respective industry division to which the application has been referred, so it may be informed as to which companies fall in the "small business" category.

2. As rapidly as possible this determination is being made with respect to cases already filed and which have not yet been acted upon; in other words, the so-called backlog.

3. The industry divisions and delegate agencies are required by the regulations and the instructions issued by this office to insure fair participation by small-business concerns in expansion programs within established requirements.

4. In situations where applications for expansions equal or exceed estimated requirements, our practice pursuant to the regulations and to the policy of the Defense Production Act provides that the small applicants be favored in certifications.

I might add that we are policing those regulations and instructions far more than we did before. We set up on March 1 a special division in our office to make sure that the industry divisions and delegate agencies comply with the regulations and instructions. I might add they give us great cooperation, but when you have visiting businessmen and visiting bureaucrats passing through the agency, by the time they find where the cafeteria is, they have to go home and we have to start over again. So we have to systematize our handling of these things.

5. As a general rule, applications filed by "small business" concerns in many industries in which it is extremely difficult to make estimates

of requirements have been certified without awaiting formal determination of expansion goals.

For example, military subcontractors of many types, producers of machine tools, dies, jigs, and fixtures, and in the ferrous and nonferrous scrap industry and a number of miscellaneous fields, such as castings and forgings, where requirements are known to be large, companies are predominantly "small business," and expansions have been certified without awaiting formulation of definitive programs.

I might add that Telford Taylor and the SDPA people have urged that we make provision for so-called set-asides in our programs for small business. That is a good idea. We had not only thought about it but had considered it and examined it, trying to figure out how to do it. We sat down with Telford Taylor's people and discussed with them that proposal, as well as some others they have made, and the program division I just referred to has been charged with working it out. It is very actively and sincerely trying to figure out a way to set aside a certain portion of every defense expansion program for small business. Involved in the problem is how do you give them notice of what is needed, how long do you wait for their response, and so on.

Those are administrative matters which we have to pin down and work out. The idea is to allocate in every program a portion of the expansion program to small business. It can be done in well-defined programs, but in the case of foggy and fuzzy programs, in which we have many companies, I don't know but what you would just strangle an applicant while he was waiting for you to put him into a neat program.

Mr. SEELY-BROWN. Are there many applications for expansion which exceed the estimated requirements?

Mr. KING. Not very many, but they are the ones that cause the worst trouble, because, after all, you have got to discriminate. As to that I can quickly illustrate.

We had a program in which the industry division and the Department of Agriculture were very much in disagreement as to how much expansion of nitrogen you should have. Each side felt very strongly that they were right.

To make a long story short, after 6 months we have hammered out a program—by "we" I mean the agencies concerned—and we set up a goal which is far beyond what the industry division thinks we should do, and is short of what the Agriculture Department thinks we ought to have. The problem for us was how to fit in the applications. We had 23 applications and we could take only 9 or 10 of them. So I asked the head of the Program Division to meet with the head of the Industry Division, and they sat down with the Agriculture Department, and the three of them set up a chart. They allocated every applicant points on the basis of their qualifications, including points for small business. They worked up a series of criteria and they scored it almost like they scored the Olympic Games. They came out with 10 selected companies, and, incidentally, on the top of the list was a cooperative in the West which is supposed to have 400,000 farm members. They had demanded Mr. Fleischmann's and my removal because we would not immediately grant them a loan. We pointed out our policy and we suggested that they withdraw their loan application and come in with an application for

a tax certificate. They raised the money and they came in, and they headed the list and got the tax certificate.

At the other end of the list of 10 there was a choice to be made between two applicants. The Agriculture Department favored one, a small business, and the Industry Division favored a company that we might call a larger business, and we arbitrarily decided on the smaller company. We do that whenever things are approximately equal. Whenever we can make that kind of decision we will choose—and I can assure you of that—we will choose the smaller company.

In that connection, it is argued that some of our industry divisions—not ours but the NPA—are naturally dominated by the views of big business. Mr. Fleischmann says, "How are you going to get the people to come down and help, who know the business, unless you get people who can afford in come down?"

In many cases you do get big business, of course. The small company can't usually afford to send down one of its best men and keep him down here for so many months, while he participates in the defense program.

But whenever we can, we do get men from small business. I can give you names.

Mr. SEELY-BROWN. That means, sir, that the fertilizer situation has eased somewhat?

Mr. KING. I would like to hope that, if it hasn't, it will ease a good deal.

Mr. SEELY-BROWN. In other words, you can anticipate we are not going to get all we want, but by the same token we can get more for our farms than we earlier had anticipated.

Mr. KING. I think we will get a great deal more than we ever did before, that is this particular type of fertilizer.

Mr. SEELY-BROWN. Can you tell us which type?

Mr. KING. Nitrogen.

Mr. SEELY-BROWN. In which form?

Mr. KING. I am sorry, that is a field that I don't know anything about. We have a release on it.

Mr. WOODSIDE. Nitrates.

Mr. DALMAS. I would like to ask one question, if I may.

Mr. BURTON. Mr. Dalmas.

Mr. DALMAS. In the determination of the expansion of the nitrogen program, Mr. King, were there any loans involved?

Mr. KING. None whatever.

Mr. DALMAS. It was self-financed?

Mr. KING. Yes. That is one of the points on which we had a lot of argument, as you know—not you and I. Involved in this nitrogen program were the applications of a number of companies which wanted to build new plants, and they wanted to do it with Government funds.

One was a company that I suppose in a hearing like this I ought not to go into by name, but at least I will try to give you the high points. Some people wanted to start this plant, and some people up on the Hill thought it was a very good idea, and we thought it was a good idea, but we could not see any point in granting $15 million worth of the Government's money for a project like that at this time when we could get the same material by private financing.

It was argued, "Well, what you are going to do, of course, is turn to the big fellows who can finance this thing privately."

Well, I don't think we have done that. We have set up our list, it is public, and I believe you will find that list is distributed geographically to all business. It has met the criteria which I believe the Congress wants. (Exhibit 22 in the appendix.)

As to loans of that kind I sometimes take refuge in the assertion that I don't believe the fellow who is trying to get it through our office can possibly get a bill through Congress for it, or even through a committee. Why he should think he can have Government funds from us for that purpose, I do not understand.

At any rate, Mr. Wilson, who is our boss, has decided that we do seek private or nondefense finacing first, that we try to get it from private capital.

Mr. BURTON. Preference is given to those who propose to finance it themselves?

Mr. KING. Who put up their own money.

Mr. BURTON. Before you accept a project involving Government funds?

Mr. KING. Yes, sir; that is the policy.

Mr. DALMAS. You apply it right across the board to all industries?

Mr. KING. Yes. Including steel, about which we had another curious case. We go on the theory that while the Congress did include the loan provision and did include money for that purpose—and it is a very fine safeguard, you might say an emergency tool, if we were in a total war situation—if we can't get what is needed because private industry will not come along or private capital will not come along, we will certainly use the loans, no question about it. But we make a reasonable effort to find out first whether private industry won't come along and do this job itself.

Mr. BURTON. I think that is a very wise policy.

Mr. KING. We are doing it that way under the direction of Mr. Wilson.

Now, as I said, in certain applications filed by small business, expansions have been certified without awaiting formulation of definitive programs. There we say, in effect, or Mr. Trigg's office says in effect, "We can't pin down how much we want of these castings, and so on, but we know we will need a lot more of them, so go right ahead."

6. Percentage certification in a wide range of light manufacturing cases, the bulk of which involve small business enterprises, follows a pattern which has favored the small producer. I won't try to go into that detail here. Mr. Woodside is an expert on percentage certification. It is a complicated business. You might give an example of that, Mr. Woodside.

Mr. WOODSIDE. There are many activities that do not fit a particular industry classification. For example, the manufacturer of military items does not fit in an industry classification such as steel, petroleum, transportation, for example, and in the absence of a pattern that could be applied to an industry we think it should be a pattern of percentages that can be applied to certain types of operations. The way that works out is we weigh the percentages according to the type of facility involved in the expansion, a little higher percentage for machine tools and a little lower percentage for the building part of the expansion, or the building services part of the expansion. Then that is weighted further, depending upon the size of the expansion. The net effect of it is that the smaller company comes out

with a weighted average percentage which is higher than the weighted average percentage for the larger company, on the general theory that the larger company being diversified, having a greater possibility of usefulness of these machines and facilities somewhere in their activities later on, are not assuming quite the same risk as the smaller companies.

This method of working out the weighted average for the smaller and larger companies varies according to size.

Mr. BURTON. It is usual, then, to certify only a portion of an expansion program?

Mr. WOODSIDE. Yes.

Mr. BURTON. You do not generally give certificates for the entire amount?

Mr. WOODSIDE. Very rarely. Almost never have we given 100 percent.

Mr. BURTON. You may proceed, Mr. King.

Mr. KING. Proceeding then with the statement:

7. Percentage certification has favored the smaller producers also in that multiple applications filed by the same company are considered together in the processing of the cases and as a matter of policy we have tended toward a lower percentage certification for large diversified companies rather than follow the procedures adopted for the smaller companies of weighing the percentages according to the types of facilities involved.

8. In general, we have denied many smaller applications by large companies which appear to involve trivial amounts or investments of a character which, in view of the size and diversity of the company's affairs, appear to involve no abnormal risk. In the case of the smaller companies, however, the policy has been to certify even the very small applications without too much attention being paid to criteria which might result in the exclusion of portions of applications filed by the larger companies.

In certain areas we have issued certificates at a higher rate for certain types of facilities because of the small business characteristics of the applicants or the industry. For example, a few of the smaller steel companies have been given rates of amortization above the industry average; river and motor transportation cases have been given rates somewhat above the rates of the railroads.

9. The bulk of certificates issued to date dollarwise have been in the heavy industries for the purpose of expanding the basic raw materials which are essential to the maintenance of a mobilization effort and a strong basic economy. Those are the industries which require long lead time to bring into production, just as certain military items require long lead times. It is the increased production of these basic industries which will provide the raw materials for the operation of our economy and continuation in business of many small and large concerns as the demands of the military effort on raw materials are increased. Within these basic industries an effort has been made to insure that the smaller business enterprises at least maintain and in any instance improve their relative position.

Small-business enterprises in many fields, particularly military subcontractors, foundries, machine shops, forge shops, and scrap-metal producers, involve shorter lead times and have felt the impact of the expansion program a little later than basic industries and military prime contractors. That is the point I tried to make earlier.

These facts explain why in many instances, as a consequence of our following a policy of attempting to deal with first things first, some of the smaller applications have not been processed as rapidly as the applicants and persons responsible for the participation of small business desire.

We have chosen, and we prefer, and we have given more urgent attention to the big type of basic military program rather than to the fellow who came to see me the other day to expand facilities for making skins for skinless frankfurters. We set him aside, told him it would be quite a while before we could handle his application.

Mr. MULTER. You mean you don't supply the armed services with hot dogs?

Mr. KING. Yes. If we could be convinced that it would be of help to the armed services, we would.

Mr. MULTER. I am sure the armed services appreciate your not doing it.

Mr. KING. Yes, I am sure they would. That is one reason why we have such good relations.

10. Procedures have been perfected for a much more rapid processing of small-business applications by eliminating a number of clerical administrative steps in the physical handling of the applications by the certifying authority, and that refers to the reorganization I mentioned earlier.

11. From time to time applicants present hardship situations, usually involving the need for early decision because of financial arrangements, shortage of working capital, contractor's dead lines, expiration of options, and condemnation proceedings. These situations are presented most frequently by the smaller concern. As they are brought to our attention, we make every effort to expedite applications of such applicants in an effort to assist them to a resolution of their problems. Recently, on the 1st of March, I set up a special inquiry section, with a lawyer and others who could sit right there and meet them as they come in the door and give them quick help in this sort of situation. We do make every effort as soon as we know about the case.

In conclusion, I would like to point out that the major programs for increasing our capacity to produce the basic raw materials are well along. Substantial increases in steel production have already occurred. New capacity will continue to come into production during the remainder of this year and in 1953.

During this period we will also reap the benefits of our tremendous aluminum expansion and an important part of the copper expansion.

Furthermore, as a result of close cooperation with the Armed Services and the Munitions Board, we have acted upon all major projects for military production which have been presented, and I believe no important military program has been delayed through any lack of such assistance from the Office of Resources Expansion.

I believe I can say sincerely that the industry divisions, the Delegate Agencies and our own office in the Defense Production Administration have attempted to insure that smaller business concerns in each industry receive full and fair consideration, and I believe our efforts will be increasingly effective as the result of some of the steps we have taken, and the very real desire that exists throughout our office to have small business in our program. There isn't a man in a top position

who is not fully aware of our keen interest in doing something special about the small-business cases.

Thank you, sir.

Mr. BURTON. Thank you, Mr. King.

Are there any further questions?

Mr. DALMAS. No further questions.

Mr. BURTON. You have covered the subject so completely that we have no additional questions.

Mr. KING. I am afraid I talked you to death.

Mr. BURTON. I notice you did say that arrangements had been made for expansion in copper production. To my knowledge, there is an acute shortage in copper.

Mr. KING. There is, yes. The arrangements for expanding copper production are carried on through the Defense Materials Procurement Agency, and they, with our approval, grant loans and make contracts to expand the production of copper.

As I have said, we have granted some loans for that purpose. Just this week Mr. Fleischmann and I decided to go right ahead with a loan for a copper company which has been hanging around—not hanging around, but at least held up, I am told, for something like a year because of various complications.

I cannot give you statistically the picture on copper, because I am not close enough to it, but I can assure you that the Government, and DPA, are doing all we can in copper. We welcome any recommendations or suggestions as to how to get more copper.

I have heard Mr. Fleischmann say many times as far as he is concerned copper is unquestionably our toughest material shortage.

As I understand it, the opportunity for expanding the copper industry is very limited. All you can do is pick up a little here, a little there. There isn't much additional copper available, and we are trying to improve what there is. If you want a more complete analysis of it I will be glad to get it for you. (Exhibit 23 in the appendix.)

Mr. BURTON. We would like to have it in the record.

Mr. SEELY-BROWN. By law we are limited as to the price paid for copper. How does that affect the copper situation, particularly as regards the amount available to us here in this country?

Mr. KING. I would not be honest with you if I did not say all economic history shows when you raise the price of something, you usually get more of it. But, on the other hand, the influence that might have on our own economy and our anti-inflationary program, might be far more expensive than the gain you get by it. For example, if you raise the price of copper that goes into brass mill products, the price may have to be raised for the brass mill products, and then you add to all the inflationary pressures. It is a case of "damned if you do and damned if you don't."

I am not sufficiently conversant with that problem to be a good witness. I have my own opinion as a citizen, but I don't know enough about it to be of help to you.

Mr. BURTON. Thank you very much.

Are there any further questions?

Mr. DALMAS. There are a few questions we would like to submit to the witness in writing, Mr. Chairman, in order to complete the record.

Mr. BURTON. That will be agreeable with the committee.

If there are no further questions, we will adjourn.

(Whereupon, at 11:50 a. m., the subcommittee adjourned until 10 a. m., March 20, 1952.)

(Supplementary information submitted is as follows.)

DEFENSE PRODUCTION ADMINISTRATION,
Washington 25, April 1, 1952.

Hon. CLARENCE G. BURTON,
Chairman, Subcommittee No. 3,
Select Committee on Small Business,
House of Representatives, Washington 25, D. C.

DEAR MR. BURTON: In my testimony of March 13 before Subcommittee No. 3 of the Select Committee on Small Business of the House of Representatives I promised to submit additional information at a later date. (Exhibits 15 through 23 in the appendix.) I have also received a letter dated March 18 from Mr. Victor P. Dalmas, executive director of the Select Committee on Small Business, requesting more definitive answers to questions which were touched upon during your recent hearings.

Answers to the questions asked by Mr. Dalmas in his letter of March 18 are as follows:

Question: The committee has heard some complaints that it has been very difficult for a small firm which has a certificate of necessity to obtain a Section 302 loan, and vice versa. Are these two types of assistance considered to be mutually exclusive?

Answer: The fact that an applicant, small or large, possesses or has applied for a certificate of necessity does not prejudice consideration of an application for a section 302 loan. The fact that an applicant has received or applied for a section 302 loan does not prejudice consideration of his application for a certificate of necessity. However, as I brought out in my testimony, we do not certify the essentiality of a Section 302 loan if it is determined that the expansion proposed in the loan application can be accomplished without defense financing.

Question: What criteria does your office use in determining whether a proposed project is essential?

Answer: The criteria for determining the necessity of a project for which a certificate of necessity is sought are contained in Section 2 of DPA Regulation No. 1, as amended, a copy of which is submitted. (Exhibit 24 in the appendix.) The criteria for determining the essentiality of a loan applied for under section 302 of the Defense Production Act are set forth in the enclosed statement. (Exhibit 25 in the Appendix.) No project is found to be essential without a determination that there is an existing or prospective shortage of facilities for the production of the material or service to be produced by the facility in question, and that the material or service is necessary in the interest of national defense.

Question: In considering applications for certificates of necessity, does your office take into account the availability of materials for the construction of the proposed project?

Answer: Availability of materials is not one of the criteria by which applications for certificates of necessity are evaluated. In some instances, of course, applications are filed, for financing reasons, many months before the materials are needed; in other instances, applicants take advantage of the provision of the law which permits them to apply for certificates within six months after the completion of their expansions.

Sincerely yours,

J. F. KING, *Deputy Administrator.*

PROBLEMS OF SMALL BUSINESS UNDER THE CONTROLLED MATERIALS PLAN

THURSDAY, MARCH 20, 1952

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE SELECT
COMMITTEE TO CONDUCT A STUDY AND INVESTIGATION
OF THE PROBLEMS OF SMALL BUSINESS,
Washington, D. C.

The subcommittee met pursuant to adjournment at 10 a. m., in room 1310, New House Office Building, Hon. Clarence G. Burton (chairman) presiding.

Present: Representatives Burton (presiding), Joe L. Evins, Abraham J. Multer, William S. Hill, Horace Seely-Brown, Jr., and Thomas B. Curtis.

Also present: Victor P. Dalmas, executive director, and Arthur F. Lucas, of the committee staff.

Mr. BURTON. We will call the meeting to order.

During our current series of hearings on the Controlled Materials Plan we have heard officials from various agencies concerned with the production and distribution of controlled materials. We have given special attention to the current status of CMP and the availability of controlled materials to small business.

This morning we are pleased to have as witnesses Mr. Manly Fleischmann, Administrator of the Defense Production Administration, and Mr. Henry Fowler, Administrator of the National Production Authority.

Gentlemen, we will be interested in hearing your comments on the current status of CMP policies and procedures, particularly as they affect small business. We will also be glad to hear your views concerning the committee's recommendations contained in the preliminary report on the Controlled Materials Plan which was issued last fall.

Our first witness will be Mr. Fleischmann.

Mr. Fleischmann?

STATEMENT OF HON. MANLY FLEISCHMANN, ADMINISTRATOR, DEFENSE PRODUCTION ADMINISTRATION, ACCOMPANIED BY GEORGE A. STEINER, DIRECTOR; REQUIREMENTS COMMITTEE STAFF, DEFENSE PRODUCTION ADMINISTRATION

Mr. FLEISCHMANN. I was going to suggest that I present this brief statement which I have and then, if it is agreeable to the committee, Mr. Fowler will do the same; and then that we take all the questions between us as some will fall in his jurisdiction and some in mine. As we have been in this thing together, we can do that very conveniently, and I think it will be of assistance to the committee.

Mr. BURTON. We will be very glad to follow that procedure.

Mr. FLEISCHMANN. I might say that if any part of the statement is not clear, of course I would be happy to answer questions in that regard as I go along.

Mr. Chairman, the members of this committee have manifested a keen and continuing interest in the mobilization program and in the welfare of small business as it is affected by that program. Accordingly, I welcome this opportunity to testify before you today. The present situation as to the needs for critical materials, and the supply of those materials, should be clearly understood by those who bear the responsibility for the defense program both in the Congress and in the executive branch of the Government.

I know that all of you have heard reports of a lessening in the demand for critical materials. I shall attempt to describe that situation and to explain it. I believe you will also wish to hear my views as to what we may expect in the future.

It is a fact that within certain areas there is a noticeable softening in forward mill schedules. One of the principal reasons for this, I am happy to report to the committee, is that the Controlled Materials Plan is now beginning to work reasonably well. In the vast majority of cases a person who has an allotment is able to get his metal in the quarter for which the ticket is issued.

When officials of the Defense Production Administration and the National Production Authority appeared before this committee last autumn you made it plain to us that you expected this result from us. My own estimate is that the system is now enjoying the same measure of success as it did in the Second World War. If you will recall the situation which prevailed last fall, when CMP was just getting under way and there was doubt as to its effectiveness, persons holding tickets for scarce materials attempted to cash them to the limit at the nearest mill with all possible speed, demanding the earliest possible delivery.

Now, with the plan operating reasonably well, and with the holder of a ticket assured that it will be good at any time during the quarter, he surveys his actual needs cautiously and places his orders in his own good time.

A second factor is that the American people have manifested good sense, and inflationary pressures have not yet developed as some anticipated. The people have declined to buy regardless of price and squander their savings.

So it has come about that manufacturers, seeing that goods are not moving very fast, have reduced the rate of material procurement and they are buying what they need to buy late rather than early.

In certain areas, the operation of the mobilization program has brought about some increase in supply. For example, one hears much about the availability of sheet steel. Now the automobile industry is the biggest user of sheet metal in civilian construction. When automobile manufacturers cannot get all the copper and aluminum they need for maximum production, they are unable to use the quantities of steel which they would use if the copper and aluminum were available.

The perfectly natural effect of the greater availability of critical materials has been a call for the removal of controls. I say it is natural because I want controls to be removed at the earliest possible moment when this may be safely done, and the men who staff DPA and NPA

have demonstrated their belief in relaxing controls as soon as such action becomes possible.

The basic fact which confronts us is that the military and atomic-energy programs in the next quarter will require over 20 percent of our total steel supply, about 40 percent of our copper supply, and over 50 percent of our aluminum supply—notwithstanding that the immediate military demand has been cut somewhat and the time period lengthened.

I estimate that the fulfillment of our defense goals will compel us to devote very large amounts of these materials for military purposes for at least the next 18 months. Mindful of our object of producing the maximum output of weapons and military materials when we need them, the Government, for the sake of the mobilization program alone, cannot be relieved from apportioning the supply of materials to assure the diversion of needed metals to the military.

When civilian production has available to it only 60 percent of the supply of copper and 50 percent of the supply of aluminum, it is plain to me that controls must remain in force to insure a fair and equitable distribution among civilian users.

I think that the members of this committee are fully aware of who suffers when supplies are inadequate and distribution is not controlled by the Government. It is not surprising that suppliers tend to favor the big user and that when a choice is to be made among customers, the small businesses suffer.

Throughout the whole area of small business grave harm would follow premature removal of controls. Quite apart from the fact that small manufacturers would be unable to obtain scarce materials, the wholesalers and retailers would be adversely affected in obtaining the commodities which they normally supply to the small businesses.

In considering the position of small business if controls are removed, we must be mindful that CMP is an affirmative system. It is direct in its action to push material out to every nook and corner of the productive system. It is not a hunting license, it is not primarily a permission to use; it is rather a positive measure for distributing the materials, after the defense program has been met, to every producer of every kind of item in the country, so as to maintain as strong a civilian economy as is possible within the framework of the defense requirements. To withdraw that suddenly would leave those manufacturers who have benefited from that positive action suddenly immobilized and deprived of a source of supply. When controls are removed, there should be advance notice to give small manufacturers time and opportunity to reestablish their supply lines, to develop their substitutions or to depart from substitutions and go back to the basic materials they had used in the first instance.

We regard the whole question of relaxation of controls, or removal of controls, as being extremely difficult. I have sought to impress upon my associates that they must be constantly mindful of the fact that when an item is removed from control full consideration must be given to the effect that that action will have on commodities still in scarce supply. It is my view that piecemeal removal of controls, shape by shape, would lead to widespread confusion as to what areas are still under control.

I wish to emphasize that, notwithstanding all of the discussions about relaxation of controls, the time when we can take such actions

in aluminum and copper is still distant. The military take in aluminum contines to be high and will reach its peak late this year and early net year. It is possible that in 1953, with the greatly increased production coming in, we may be able to ease controls in aluminum.

As to copper, the military demands will continue to be high for the balance of this year and we shall not benefit from any greatly increased supply.

If I were to summarize the situation today, I would say that we are meeting our objective of providing the military with the metals they need, and I may say all the metals they need. We are doing this without always being able to realize the maximum production of every item of metal which the United States produces.

The civilian economy is in a healthy condition. Although there is localized unemployment as in Detroit and Providence, the national employment rate is very high. The Controlled Materials Plan is working well, and generally businesses are able to get the materials alloted to them.

This committee, in its proper concern for the interests of small business, has been prompt to correct DPA and NPA when it detected weaknesses of policy or administration. For the protection of all business, particularly small business, I urge that this committee sustain those policies designed to carry out the aims of the mobilization program and insure a fair distribution of the remaining supply to civilian users.

Mr. BURTON. Thank you, Mr. Fleischmann. Following the policy you have recommended, we will ask Mr. Fowler to testify.

STATEMENT OF HON. HENRY H. FOWLER, ADMINISTRATOR, NATIONAL PRODUCTION AUTHORITY; ACCOMPANIED BY JAMES L. KELLY, ASSISTANT ADMINISTRATOR FOR SMALL BUSINESS, NATIONAL PRODUCTION AUTHORITY

Mr. FOWLER. This being my first appearance before this committee, Congressman Burton, I would like to say that I am entirely in accord, naturally, with the policies of the act for the continued well-being of small businesses because of their vital importance to our national security and essentiality to the preservation of free, competitive enterprise in this country.

Since becoming Deputy Administrator of NPA in September 1951 and Administrator in January of this year it has been my observation that one of the basic objectives of the National Production Authority is to make available to small plants an equitable share of scarce materials, and one of our most active concerns is to relieve small firms from any exceptional hardship resulting from the operation of the allocation controls. And I want to say that in the achievement of this objective, the constructive comments and suggestions of this committee, both in the preliminary report and the annual report, have been of substantial assistance.

After the annual report was available, I asked the members of the staff to make a complete analysis of the recommendations and what action had been taken to fill in the gaps and take care of the various points that had been specified by the committee, and on March 4 I sent to members of the committee an analysis of the efforts the NPA

had made to take action on the constructive comments and suggestions that the committee provided. (See letter on p. 752.)

I welcome this opportunity to develop further for you the steps that the National Production Authority has taken to meet the special problems of small business under the Controlled Materials Plan. I know that one of the first concerns of this committee, and one of our earlier concerns last fall, was the ability of the small manufacturer to turn his allotment into actual order acceptances—in other words, to have his tickets honored.

Our operations do not reflect any real difficulty on the part of small manufacturers in converting their CMP allotments for copper and aluminum into accepted orders. However, the inability of many manufacturers, particularly small manufacturers, to turn their CMP tickets into steel in the early days of CMP operations was a matter of grave concern to NPA, and I believe effective measures were taken to remedy that situation. I am happy to report that with greater experience under CMP, improved and tighter procedures for determining requirements and estimating supply, which was emphasized by the committee in its report, it is fair to say that a CMP ticket is now a certified check for substantially all forms of steel.

This is evidenced by the fact that all requests received by NPA for special assistance in placing steel orders for the first quarter of 1952 covered a total tonnage of less than 1 percent of the total amount of steel against which allotments were issued for the first quarter. On the basis of requests received to date for special assistance in placing orders for the second quarter of 1952, it appears that the need for such assistance is even less than it was in the first quarter.

I would like to interpolate that of course the softening in the demand that Mr. Fleischmann referred to has undoubtedly been a contributing factor, but in the first quarter when the situation was tight we had a much fairer opportunity to appraise the work of CMP and we found at that time, when the situation was tight, that the small manufacturers were able to place their tickets.

In order to provide maximum assurance for the placing and acceptance of authorized controlled materials orders, NPA inaugurated and announced to the public in December 1951 a comprehensive and concrete program for providing special assistance in placing orders. Under this program particular responsibility has been placed on the Iron and Steel, Copper, and Aluminum Divisions to provide assistance in the placing of these orders.

One of the most important responsibilities of the Office of Small Business, NPA, is to expedite action by these divisions on requests received from small-business concerns for assistance in placing their CMP allotments. Certain personnel in the three controlled-materials divisions were especially designated as "focal points" in this special procedure, and have been assigned the primary responsibility in conjunction with the Office of Small Business for giving assistance in their respective product areas, whether the application for assistance comes directly into the NPA, whether from the Small Defense Plants Administration, or however it is routed.

You will be interested to learn about the results of a survey which we made of a representative group of companies using carbon steel to determine whether the small manufacturing concern was at a dis-

advantage in its ability to take its CMP allotment to a mill or warehouse and get its order filled.

This survey showed that the procedures which were established to assure that small businesses were protected under CMP were effective as early as the fourth quarter, and the figures I will cite are fourth-quarter figures.

Ninety-three percent of the firms with less than 100 employees reported that they were able to place their tickets for 100 percent of the authorized allotment; 3 percent were able to place from 99 to 60 percent of their allotments. In firms with 100 to 499 employees, 78 percent reported that they were able to place all of their allotments; 19 percent were able to place from 99 to 60 percent of the authorized allotments. Firms with 500 or more employees were able to place 71 percent of their allotments in full while 17 percent placed from 99 to 60 percent of the authorized allotment.

In view of the results of this survey and the relatively small number of requests for special assistance, it is fair to conclude that the warehouse order, M–6A, together with the other measures adopted by NPA, have proved effective in enabling the small manufacturers to place their tickets and get their orders accepted.

Now another topic that was of early concern to this committee and the subject of comment in its earlier reports had to do with the development of more accurate methods of estimating material requirements, and as the committee pointed out, the effective and equitable operation of the Controlled Materials Plan depends upon accurate estimates of the requirements for materials which are submitted each quarter by thousands of producers, and of course through the twenty-odd claimant agencies outside of the NPA that present claims on behalf of their respective segments of the economy, such as the Defense Power Administration and the Department of Agriculture.

With the inauguration of CMP, the importance of accurate determination of material requirements was recognized by NPA and steps were taken to achieve this objective as promptly as possible. As we all know, estimates of requirements, like other operations under CMP in the third quarter of 1951, were affected by the fact that this was a transitional quarter, when the system was going into operation, and there was a carry-over from the previous priority and limitation order arrangements.

Since then we have developed improved reporting forms, particularly CMP Forms 56, 57, 61, and 64, which provide information with respect to quantitative consumption of materials by individual companies. Up until that time we had been forced to rely on dollar value estimates, and of course we think the material usage is a much more accurate index of this than dollar value figures.

With this information, claims for materials based on "base period usage" can be readily checked, thus affording a firm basis for the accurate determination of present requirements where the allotment of materials is predicated on a base period usage. Other data gradually developed through experience together with the specialized knowledge and training which have been acquired by the analysts have become increasingly useful in evaluating requirements claims.

In addition, the establishment of requirements committees—that is, divisional requirements committees as distinguished from the Defense Production over all Requirements Committee—in the NPA

Industry Divisions handling end products, composed of personnel who are intimately conversant with the problems and requirements of particular industries, has been of great value.

Thus, over the last 6 months of operation we believe the NPA has built up a body of statistical data and a corps of trained analysts which makes it possible for us to make much more accurate analysis than was true during the early phase of the operation.

In the exercise of its programing function, the Requirements Committee of the Defense Production Administration receives quarterly statements of materials requirements from each of the claimant agencies. We understand that DPA is making every effort to improve its screening procedures in order to achieve maximum accuracy in determining the actual requirements of the claimant agencies.

Moreover, the Construction Analysis Staff of Defense Production Administration, which works with the Requirements Committee, screens the stated requirements for structural steel, primarily for industrial construction, for the purpose of determining whether the stated requirements are realistic in the light of construction schedules both in terms of quantities requested and the schedule of deliveries.

I would like to depart for a moment here to say that the value of that kind of screening has been demonstrated to us quite vividly in the last two quarters in which this group of engineers from the steel companies that are accustomed to handling structural steel assess the appetite as expressed in the application of a particular industrial concern that is building a plant, and they try to measure it in terms of engineering readiness, whether the applicant could actually use the steel in the quarter for which he requests it.

Quite often we find that when a phone call is made and a question asked: "Now are you actually going to be able to put up this much tonnage in the next quarter?" the answer comes back, "Well, we think we could get by, and very effectively, on something less." Well, that means there has been an opportunity then to spread this available structural steel to the users that will actually be able to use it in the quarter for which it is allocated, and we have tried to minimize through that operation the very undesirable practice of acquiring the steel and leaving it on the ground.

Mr. CURTIS. Could I ask a question there: Does that same type of screening apply to items other than structural steel?

Mr. FOWLER. The same type of screening is done for all items, but this was a special type of screening for structural steel that we have found quite useful. It is a hard thing to assess, Congressman Curtis, and we have found the assistance of these experts from the companies that are in that end of the business themselves quite useful.

The third item that I want to comment on is the increase in the level of allotments for consumer-type items using copper and aluminum. The companies that manufacture the so-called consumer-type items naturally include a very large preponderance of the smaller companies, and in turn they are the areas from which, in order to supply the increasing military direct and indirect requirements, we have had to divert the most substantial amounts of copper and aluminum.

We were quite concerned, as I know the committee was, during the first quarter as to the impact of these very severe diversions which were necessary to fill in the increasing requirements until expanded

supply through new steel and aluminum and copper expansions were available.

During the first quarter it was necessary, by reason of the increased demand for copper and aluminum for defense and defense-supporting purposes, to cut back the allotments to producers of many consumer-type items requiring these metals to about 20 percent of their base period usage of aluminum and 10 percent of their base period usage of copper. However, in the second quarter of 1952, which indicates that we have turned the corner on this particular draw-down from this segment of the economy, we have increased these allotments of aluminum and copper to 30 percent of base period usage.

This increase has, of course, been of substantial benefit to a large number of smaller manufacturers who are engaged principally in the production of consumer-type items, which were included in the 20-percent and 10-percent levels for the first quarter.

I might interject there that we made a survey of the ability of the metalworking companies to maintain their employment levels in the first quarter of this year as against the last quarter of last year in view of the sharp cut-back that came in that time. And I think that the committee will be interested to know that perhaps due to the long notice and long warning that such a period was coming, manufacturers by exercising their ingenuity in a voluntary manner have effected substitution methods and effected conservation methods that according to the reports we get on employment data have been really quite amazing and quite gratifying in revealing how, with a substantially less quantity of copper and aluminum, they have been able to maintain a relatively substantial rate of unit production.

If the committee would be interested in the data that we got from these surveys, I would be glad to furnish it.

Mr. BURTON. We would like to have that to incorporate in the proceedings.

(Exhibits 26 and 27 in the appendix.)

Mr. BURTON. May I inquire: These drastic cut-backs, did they cover the less essential items for civilian use?

Mr. FOWLER. That is correct.

Mr. BURTON. Was it any large portion of the total usage?

Mr. FOWLER. It was just a small portion of the total usage, except that aluminum was a very substantial factor. We found there was aluminum siding, aluminum roofing, aluminum venetian blinds—even though very few people were employed in those industries, the usage of aluminum was a very material factor, and it was a tough squeeze.

Mr. BURTON. That situation has been greatly relieved?

Mr. FOWLER. That has been greatly relieved in the second quarter. They are now including the initial and supplemental allotments with the 30 percent base period usage.

Now the next point is the establishment of the "Small Business Hardship Account." In November of 1951 a program was inaugurated by NPA to provide prompt and effective assistance for small single-line producers faced with plant shut-down or financial failure because of low allotments of controlled materials, which we expected would prevail roughly during the first 6 months of 1952.

Under this program, announced on December 7, 1951, relief was provided in approximately 1,200 of these hardship cases, including

many small businesses, to the extent permitted by the availability of materials in the first quarter of 1952. Recognizing the need for a special reserve of materials for this program, we established the small business hardship account and the Small Business Hardship Panel to administer it.

Materials have been set aside for the Small Business Hardship Account and applications from firms qualifying for relief are being serviced from this special reserve. Full consultation on this measure was had with the Small Defense Plants Administration, and the public announcement concerning it was made jointly by the two agencies.

With the return of certain quantities of aluminum and copper which had been allotted to the Department of Defense for the second quarter of 1952, the Defense Production Administration has made a portion of these materials available to NPA. I am glad to report that the Small Business Hardship Account has been given first call on these additional materials. This, together with the reserve previously set aside, will be more than sufficient to meet the screened requirements of the Small Business Hardship Account in full. That is more than sufficient to provide the supplemental allotments to any small manufacturer that qualifies and files his application for additional materials.

The balance of the additional aluminum and copper which has been made available to NPA by the return from the Defense Department will first be used, after the Small Business Hardship Account has been satisfied, to raise the general level of allotments for consumer-type goods and building materials, and, second, to get everybody up to the 30 percent level, to adjust supplemental applications other than those falling under the hardship account.

The next point referred to in the earlier reports of the committee was simplification of CMP regulations. The committee recognizes, as we do, that it is very difficult for a lot of the smaller manufacturers who do not have large staffs of accountants, trained purchasing agents, and so forth, to prepare the necessary paper work that is required when you are dealing with the requirements of a very large concern. It must be recognized that the Controlled Materials Plan is a complex matter and that some of the provisions of the CMP regulations are necessarily technical in character. Nevertheless, we have been alert to the need for simplifying the language of the regulations and for promoting clearer understanding, particularly among small-business men, of the requirements of the regulations. As the regulations are amended, constant efforts are made to clarify and simplify the provisions. From the beginning of the CMP program, a broad and continuing informational and educational program for NPA field personnel and the general public was inaugurated. This program is being maintained and improved as far as possible.

Also, as the forms and instructions regarding operations under CMP, particularly the critical Form CMP 4–B and the accompanying instructions, are revised from time to time, continuing attention is given to making them simpler and more understandable to the average small-business man.

In addition, there is in preparation a comprehensive question and answer pamphlet on the CMP which will be particularly helpful to small business, which was instituted after receiving comments, which we thought would be helpful to small business. This will be broader in scope than the question and answer series issued by NPA for the

benefit of small-business firms at the time of the introduction of the Controlled Materials Plan.

I would be less than frank if I did not say to the committee that despite the efforts and emphasis we constantly make for our own staff and lawyers to simplify these regulations, we still have to admit they are quite difficult and technical, and I am just afraid that is almost a part of the basic essence of the plan.

So, therefore, the problem of achieving the relief from this concern with complicated regulations has directed our attention to another possibility, and that I will turn to now, with some reference to self-authorization procedures that the committee is, I am sure, familiar with. You know that under the self-authorization procedure permitted under Direction 1 to CMP Regulation 1, small users of controlled materials can place authorized controlled materials orders without filing a CMP 4–B application and having an approved production schedule.

In other words, they can go into the warehouse and put down their order, and so long as it is within the prescribed limit they certify, it is a self-certification operation which does not require any contact with us here in Washington or any contact with the field office. Originally, the amounts which could be self-authorized were limited to 5 tons of carbon steel, one-half ton of alloy steel, 500 pounds of copper, and 500 pounds of aluminum.

Now in an effort to make it possible for more small manufacturers to get by on the self-authorization procedure, on January 5, 1952, we determined that the ceilings could be increased. Accordingly, NPA authorized small users to self-certify their own purchase orders in the second quarter of 1952 for 100 percent of the amounts of steel, copper, and aluminum which they consumed during their base period so long as these amounts did not exceed the following limits: 30 tons of carbon steel, 8 tons of alloy steel, 500 pounds of stainless steel, 3,000 pounds of copper, and 2,000 pounds of aluminum. Permission to self-certify for the original smaller amounts was continued even though the firm did not use those amounts during its base period.

In additon, the self-authorization right for certain types of construction, including commercial construction, has been raised from 2 tons of carbon steel per project per quarter to 5 tons of carbon steel, of which 2 tons may be structural steel, but not of the wide-flange shapes. Now this has meant quite a change in the paper applications that have had to flow into the CMP analysts.

The number of firms applying to NPA for allotments has been reduced from 60,000 for the fourth quarter of 1951 to slightly more than 35,000 for the second quarter of 1952. It is obvious that the self-certification procedure has been responsible in large measure for this reduction. This means that many thousands of small firms can plan their production and obtain materials under CMP without difficulty and with no need to file applications either in Washington or with the NPA field offices.

The committee has also expressed a concern in its early reports that we delegate authority to the extent practicable to the regional and field offices. There is, of course, a large class of small-business men whose requirements of controlled materials exceed the limits permitted under the self-certification procedure. In order to enable these small-business men to obtain decisions quickly and without the necessity of

a trip to Washington, it has been the continuing policy of NPA to delegate authority to its field offices to the greatest extent possible and as rapidly as conditions would permit. Under the so-called small order program, field offices were permitted to approve applications for controlled materials within certain quantitative limits, almost automatically.

Further review of operations under this plan indicated that additional authority and operational responsibility could be decentralized. As a result, the field offices have processed paper for approximately 25 percent of all materials allocated for the second quarter of 1952, using exactly the same criteria and procedures as are employed in the Washington operation. For the second quarter more than 13,000 cases were handled in the field as compared to 22,000 in Washington.

The committee may be assured that NPA is aware of the benefits that accrue to small-business men from the decentralization of operations and we are constantly reviewing our procedures in order to delegate additional responsibility to the field offices whenever feasible.

Now a brief mention of the industry assistance clinics, which were an effort to meet the situation that we all knew was coming up in the early part of this year. Although the function of providing procurement assistance to small business has now been transferred to the Small Defense Plants Administration, I feel that I should report to you on the program of industry assistance clinics which was developed during the period prior to the transfer in order to assist firms with low levels of allotments.

In December 1951, the NPA Office of Small Business analyzed the allotments of steel, copper, and aluminum made by NPA for the first quarter when there was to be this most severe cut-back, and they included in that analysis the manufacturers of consumer-type items that had received less than 35 percent of their base period usage of these metals, figuring that those would be the ones that would have the hardest impact.

This tabulation included data concerning the regular type of product manufactured and the general class of equipment used by the firms listed. Copies of this listing of low-allotment firms, which included many a small business—they are predominantly small manufacturing concerns, although they did include some medium-size and larger firms—were limited to defense procurement agencies about the first of the year as the first tool developed for planned procurement to compensate with defense work for curtailment in civilian production because of the diversion of materials.

This same listing of low-allotment firms was used by the Office of Small Business, NPA, and the Munitions Board Office of Small Business for the organization of a series of industry assistance clinics which were held throughout the country largely in the month of January, with a few early in February. NPA field office heads and the chairmen of each Armed Forces regional council cooperated to arrange for and conduct these clinics.

Now they were not the usual meetings of a large number of people in a room with speeches being made; they were designed for another purpose: a working type of clinic, as it was termed. They were conferences where the representatives of the firms which received the low allotments were all individually invited to come in and meet face-to-face with Federal procurement officers and representatives of prime

contractors to assess production facilities in line with defense requirements.

More than 2,500 small firms were represented at the 15 clinics; many reported that they were presently engaged in defense work but were interested in more; nearly 70 percent were regarded by procurement officers as potential prime or subcontractors; and about 17 percent were listed as not having equipment suitable for defense work. They were told to bring in the analysis of their production facilities and the material they had on hand so that an assessment could be made as to where they might fit into the defense-procurement picture.

I don't know what the results of those clinics are and I am unable to report to the committee today as to what the actual, tangible results were in placed contracts, either prime or subcontracts. But that is being followed up on, inquiries are being made, and we hope to have some data on that in the near future.

Now the last point, on cooperation with the Small Defense Plants Administration, I want to say here as sincerely as I can that it has been both my policy and Mr. Fleischmann's policy to cooperate fully with SDPA in carrying out what we view as a common responsibility for the smaller manufactureres of the country. Congress has placed a mandate upon the President, and through him the executive agencies DPA and NPA, to observe the policies that refer to small business. It has also established the Small Defense Plants Administration to give us special advice and to consult and cooperate with us in a common effort, which is our responsibility as well as theirs, to carry out these policies.

In November 1951, shortly after the establishment of SDPA, that agency was invited to have representatives sit on the Orders Clearance Committee of NPA, which is the body that finally passes on and approves all orders that are issued, and on the various individual requirements committees of the industry divisions of NPA.

At the same time, SDPA was accorded membership on the Requirements Committee and the Program Adjustment Committee of Defense Production Administration. When the Small Business Hardship Panel was formed, its membership included a representative of SDPA. In addition, personnel in the Office of Small Business, NPA, that had been engaged in procurement assistance were detailed to SDPA long before the formal transfer of that function by Executive order, and we have carried them on our payroll until the official transfer could be effected.

On January 2, 1952, I issued an internal order—or I believe Mr. Fleischmann made it, he was Administrator; but I approved it—General Program Order No. 9, which formalized our policy of full cooperation with SDPA, provided that SDPA would have the same opportunity to participate in the review and clearance of new orders and regulations as other defense and claimant agencies, and established working relationships for the presentation by SDPA of requests for assistance in obtaining materials and equipment and to facilitate consultation between the staffs of the two agencies regarding other NPA actions, including issuance of orders and regulations and the formulation of policy in granting priorities.

I should mention at this point that it is important for me, as it was for Mr. Fleischmann, as NPA Administrator, to have one focal point within NPA for advice and information concerning small-business

problems. In order to carry out our statutory responsibilities, I feel we have to have a focal point in the Assistant Administrator for Small Business and his staff. I believe this is necessary both as a matter of efficient management and to enable me to discharge my responsibilities with respect to small business under the act.

Moreover, the records of NPA bespeak the diligence and success of this Office of Small Business in influencing policy and procedures in the interest of small business. Accordingly, the internal order issued in January, which I have previously described, provided that the Office of Small Business, NPA, would serve as a central point of contact between SDPA and NPA with respect to materials assistance and consultation with the various offices, bureaus, and divisions of NPA.

Now when Mr. Taylor advised me of his objection to what he considered an unnecessary rigidity in the procedure for consultation as it was written in that order, I had Mr. Kelly, the NPA Assistant Administrator for Small Business, work out with Mr. Taylor a revision of that procedure that would be satisfactory and was satisfactory to SDPA, and insofar as Mr. Taylor is responsible. The revised order was issued on March 3, 1952.

In closing, may I add that I know of no existing differences of substance or procedure between SDPA and NPA regarding the current operations of the two agencies. I shall do my best to see that this continues in our mutual responsibility for the administration of the priorities and allocations power according to the policies favoring small business set forth in the act.

In view of Mr. Fleischmann's discussion of the future of CMP in the light of the materials outlook and his comments about the particular problems of small business in a period of premature decontrol, with which I fully associate myself, I shall not take up the committee's time on that subject.

Mr. BURTON. Thank you, Mr. Fowler.

Now for questions. A witness has asserted that it may be possible to decontrol steel within 9 to 12 months if no additional emergency arises. What is your opinion?

Mr. FLEISCHMANN. I agree with that in general, Mr. Chairman. My feeling is this, as to the proper method of decontrol: that we should decontrol as rapidly as we can, point 1, and that we should do it in broad strokes rather than shape by shape. The way the situation looks to me, as of now, is this: that by either the fourth quarter of this year or the first quarter of next year, we can decontrol carbon steel as such—carbon as distinguished from alloy.

We would still have to keep under allocation a few, and only a very few, special shapes which are needed by the military in very large percentage. The only ones we think would have to be retained under that control at the present time are heavy plate, which of course is used substantially in shipbuilding and atomic energy and many other comparable programs; bar, which is in tremendous demand, particularly in the ammunition program; and seamless tubing, which is in very short supply and is needed for a variety of top-importance industrial programs.

Except for that, I believe that the great mass of carbon steel can be turned loose.

Mr. BURTON. Mr. Multer?

Mr. FLEISCHMANN. I haven't quite completed this, Mr. Multer. There is one reservation I wanted to get in the record. I believe that the proper method of decontrol is to reverse the procedure by which the control situation was set up so as to have a corollary to turning loose all this carbon steel, which I would hope we could do in the fourth quarter, or certainly by the first quarter of next year.

I would retain during the mobilization program a priority system applicable only to the military program to be sure that there was no hold-up along the line.

Mr. MULTER. We are all anxious that we decontrol everything as fast as possible, but if you should follow that procedure the fear that arises in my mind is that if you decontrol certain shapes of carbon steel and not all of them, won't you have the industry channeling into the market material that is needed for the controlled items?

Mr. FLEISCHMANN. That is a very important point. As you know, this is a complicated system of control. You have not only the CMP as such, you have the priority system, and then you have the system of what we call production directives.

Now under the production directives the Government issues instructions to the steel industry as to the total amount of particular products which are to be made. Otherwise you cannot make CMP operate because you have to match up, as you know, the production of steel with the indicated demand for distribution purposes.

Now you would have, under any system in which you want to guarantee the military production for the next year, to retain the responsibility of telling the steel industry—and they accept this, this is understood—that they must produce, for example, the same amount of heavy plate that they have been producing.

As you know, we have been getting plate out of strip and sheet mills which they ordinarily do not make. They will have to continue to make that until you are over the mobilization hump. But by doing this, in my own judgment you would be releasing the bulk of carbon steel which is coming into easy demand.

We think it probably can be done in the fourth quarter. You would take the Government out of the business that it has no business being in in the long pull anyhow, namely, making the choices business ought to make for itself.

I might say what I think are the two important criteria of decontrol, because I think the committee is interested in that as being the heart of the problem. There are two separate factors that have to be considered, in my judgment, namely: No. 1, the relationship between supply and demand, that is the obvious one. We have a condition in which demand greatly exceeds supply. You have one of the conditions under which you need control.

But the second and equally important factor—more important I think—is this: How is the demand made up? When you have a high percentage of that demand, that represents a "must" program from the standpoint of national security: a military program, an atomic energy program, an expansion of aluminum or nickel—that is a "must" program from the standpoint of getting it done on schedule.

Then you need something like the Controlled Materials Plan for that material. But it turned out in World War II, as some of you remember, we had this experience: that no priority system will guarantee delivery on schedule to an approved program unless the

size of that approved program is very small. We tend to think of that approved program as being something like 20 or 25 percent. If it is that small, a priority system will work. If it is any larger, it will not.

That is a summary of experience in World War II. Now in steel, you will see, both conditions we think will be met in the fourth quarter. Demand will be about as close to supply as you are ever likely to get in a free market. Secondly, the total military take will not exceed about 20 percent. And the big take of structural steel for "must" programs, the industrial expansion program, will have been passed in the second and third quarters.

So looking into my somewhat cloudy crystal ball, I say that I currently see no reason why we cannot decontrol the vast majority of carbon steel forms and shapes in the last quarter of this year. I could be wrong, of course. It could be a quarter difference, but I think now the last quarter is the target.

Now with aluminum, we have a little different situation in this respect. In the first place, you have a much higher percentage of military demand. It is something approximating 50 percent of all the aluminum there is. But on the other side of the picture the new supply comes in very rapidly, indeed, this year. It is my guess—and it is only a guess— that we may be at the point in the first quarter of next year or the second quarter of next year where you could release the controls on aluminum, maintaining still the priority system, because we will have a tremendous supply of aluminum by that time.

With copper I don't see the picture clearly at all. We do not have any great increase in copper supply that can be obtained until about 1954 or 1955. You will have a very high demand for copper in the military picture as long as you have a mobilization program because it goes right into ammunition. Therefore, I would not care to make a prediction. I will not be here myself, and I will let somebody else decide that problem. I do not care to make a prediction as to when we can safely take the controls off copper.

Mr. BURTON. Is it likely that the easing international situation will help that?

Mr. FLEISCHMANN. In this respect, Mr. Chairman: I do not agree with those who say that the Korean thing has nothing to do, for example, with the materials situation. It clearly does have something to do with it, because when you are not shooting up ammunition in Korea you are able to build up your reserves.

After all, what we are doing is engaging in an attempt to correct rapidly the depletion of our military strength and reserves, both material and men, that took place before Korea. Now the problem is one of maintaining adequate stocks of ammunition. Ammunition was being exhausted at a very rapid rate during the height of the fighting in Korea. If that stops, if it stops permanently, of course, we will attain our objective more quickly. So my answer is yes, it will have an effect on it.

Mr. BURTON. Mr. Seely-Brown.

Mr. SEELY-BROWN. Mr. Fleischmann, as you anticipate decontrol, whether it comes at the end of the third quarter or the first quarter of next year, do you correlate that with the Department of Defense rate of spending staying at the present level? What would happen if that level was increased up to the $7 billion a month already authorized?

Mr. FLEISCHMANN. In the first place, the first prediction I made was with respect to carbon steel, and since the use of ordinary carbon steel for military purposes is not high, comparatively, even a very substantial change there would not, in my judgment, seriously affect the estimate that I make.

Now, with aluminum, which is the other subject that I commented on, we have actually been allotting aluminum according to the approved schedule of aircraft, and aircraft is, of course, the predominant factor there. The delays in expenditure and production are delays farther along the line. They are in the ultimate production of the end aircraft, in my judgment, due primarily to design changes.

What is happening is that there is a chew-up of the raw aluminum approximately at the production rate that you would want if you were right on the schedule. The delays take place later on, so that there is in fact a substantial inventory of parts incorporating aluminum, subassemblies and things of that kind. We hope that some of those bottlenecks will be broken, of course, and I think you know of some efforts along that line. But in my own judgment—and I have seen the forward predictions of how much aluminum will be used—no speed-up that is at all likely would throw the estimates off such as to alter the basis of my judgment.

Mr. SEELY-BROWN. Even up to the $7 billion a month?

Mr. FLEISCHMANN. It could very easily make the man here at the time decide that because of that step-up you ought to delay, let's say, aluminum release from CMP from one quarter to the next, in other words, to the second or third quarter. But it would not be of a size, if my judgment is correct, to alter the fact that, say, a year from now we will have so much aluminum that certainly at that point, no matter what the military program is at that time, unless you have a war, you would be in a position to release aluminum. I feel pretty safe in saying that.

Mr. BURTON. Mr. Curtis?

Mr. CURTIS. Mr. Fleischmann, I would just like to ask you whether you have any formal set-up to consider decontrol and be constantly on the watch to see whether these factors that you mention will come about. For instance, when you speak of supply and demand, what test do you use with this carbon steel? Have you a formula set up so that other people might be able to judge when decontrol might come about?

Mr. FLEISCHMANN. I do not have any mechanical formulas in that sense. I appointed a task force to work on the problem about 3 weeks ago when the problem first began to force itself on everybody's attention. And we have a great variety of internal instructions with respect to reviewing the problem.

Now let me say this: I have accepted primary responsibility for the decontrol program personally. I believe I have the experience to reach some sensible judgments on that. I therefore asked all of our top staff to get the data they had together on carbon steel and I had a meeting about 2 or 3 weeks ago on this very subject.

We have, you see, very detailed figures available on supply and demand. I have them in the very greatest possible detail on every commodity. We reviewed the situation then on carbon steel and on aluminum and copper, although there was not much review there because it is clear you cannot do it. We reached the conclusion then

that the conditions were present that I have described, which should permit us to decontrol carbon steel either in the fourth quarter or in the first quarter.

Now we have also taken the necessary steps to do that. These steps are: altering the CMP form so that you would get a breakdown of these individual shapes and forms that would have to be reserved in control and get that broken-down data for the fourth quarter. Then you see the decision can be made at the time the fourth quarter applications are filled out and industry can be notified in ample time that we have made the decision one way or the other so that all of the steps will have been taken that will be necessary.

And I should add we have what we call the 7–11–11 record down there, and I do not want to be too closely held to its accuracy but at a recent point we reviewed the individual decontrol actions that we had taken. We do not believe in waiting until you can decontrol everything. We believe in decontrolling as you go along.

Now the 7–11–11 formula I spoke of was this. In the past 2 or 3 months we have taken the following actions: We have had to add seven minor, but important in their relationship to the war effort, new materials under a specific control. In 11 cases we have taken things entirely out of control. And in 11 other cases we nave relaxed controls almost to the vanishing point with particular materials. So that progressively we are engaged right today in a very substantial decontrol operation.

Mr. CURTIS. You say we are relaxing. One way of relaxing would be an increase in the amount of self-certification.

Mr. FLEISCHMANN. That is correct. We have done that.

Mr. CURTIS. I know that. Likewise, a setting up of a special priority to the military is not exactly control, but it is the last vestige of control, you might say.

Mr. FLEISCHMANN. That is correct.

Mr. CURTIS. The thing that bothers me a bit in following such a formula—and I think it bothers a lot of people—is whether or not there is perhaps a lack of publicity regarding conditions which bring about decontrol. You say it rests on your judgment. On the other hand if the people in the industry concerned knew what formula you were going to use to bring about——

Mr. FLEISCHMANN. I have stated publicly and privately just as I am stating here what in my opinion—I may be wrong but these are my opinions and my judgment and it is shared by Mr. Wilson——

Mr. CURTIS. Let me give you an example. I understand that certain high-cost steel mills are shut down now because of lack of orders. That is a pretty strong indication that maybe you are not quite as far along on decontrol as you might be.

In other words, if we knew that that was a factor, an important factor, or other things like that that we could judge, then other people would know, too, what they could expect.

Mr. FLEISCHMANN. I just do not know. There would be no use of my making up, sir, and telling you a magic formula for decontrol because I do not know any.

Mr. CURTIS. I am not interested in a magic formula. I am interested in knowing that there is a specific board, for example, or a specific group whose sole job it is to be watching this thing, so that they can bring it about, or so that other people in industry could

say, "In our opinion we think decontrol should come about." There would be certain factors that would be agreed upon which, if they existed, would eliminate the need for control. Your statements in relationship to supply and demand are most general. Nonetheless you can agree on certain fundamental things which you decide as to what the supply may be; and also upon that basis you decide the demands that can be met.

Mr. FLEISCHMANN. Let me say as far as that is concerned, I suppose Mr. Fowler and I in the past month have met with at least 20 different industrial groups of every kind that have urged one kind or another of decontrol on us. We have discussed the factors as freely as we could, and I believe, if I am not mistaken, before this very committee, some of our directors of our Steel Division were up here and expressed their views on decontrol which they very forcefully urge on us.

I think as a matter of fact that this is one of the few occasions that I know about where industry generally agrees that NPA and DPA have followed a pretty rapid course of decontrol. When I made the announcement, which I did recently, that we would hope to be able to decontrol in the fourth quarter, I think there was general agreement that, if anything, that was too fast.

Mr. CURTIS. Mr. Fleischmann, I am not urging, because I do not know, I am not urging that there be decontrol. All I am trying to urge is that there be some sort of general understanding as to what has to occur before we do get decontrol so that we can plan, so these things do not suddenly come on us.

There might be an indication that it could be put on sooner, or maybe it is too soon.

Mr. FLEISCHMANN. I tried to indicate what I thought the two criteria were before you decontrol an item.

Mr. FOWLER. Recognizing the point that you make that there has to be a kind of an organized approach to this particular problem, we have been reviewing the operations of the Bureau of Policy Coordination which we look to to kind of coordinate the activities of the various industry divisions that are responsible for administering the orders we have on the books today.

These are orders I am discussing now that are not a part of the CMP system as such, but are the so-called M order of controls. We are undertaking a complete order-by-order review of those that are on the books today. We are asking each industry division—I haven't issued a formal paper yet because we want to get a full discussion of how this organized approach to the problem ought to be carried through—our thinking currently is that the industry division that is responsible for the administration of the order will be given the task of reappraising the order with a view to whether or not the justification that existed for the order at the time it was issued is still valid in the light of present conditions.

Then the Policy Coordination Bureau—and this is internal mechanics but I know you are interested in it—will be responsible, in cooperation with the industry division, and the Office of Production Controls—Mr. Truppner, who was up the other day, and other appropriate staff officers, the Small Business Office, SDPA and others that are interested, for a review of these orders.

In making the review these are some of the factors—I do not say they are all—these are some of the factors that we examine with reference to each order and try to make specific findings on each factor in reviewing the order.

First, how and to what degree are defense production and stockpiling activities promoted by the order. What manner and in what degree——

Mr. CURTIS. Now you are getting to exactly what I am interested in, and that is the kind of formula that I am talking about.

Mr. FOWLER. Let me cite the points that we have in mind and that we are constantly using. This is just a formalization, as Mr. Fleischmann puts it, a proposed formalization of what we are doing constantly.

The second point, how and to what degree does the order provide for necessary resources expansion. That is, to what extent does it aid the completion of the steel plant program, the aluminum plant program.

The third point, how and to what degree does the order arrange for a fair and equitable control over civilian production, distribution, and stocks. In other words, to what extent does the maintenance of the order, in the light of the supply-demand situation provide for an orderly and equitable distribution and avoid a scramble.

Fourth, would the priority system alone be sufficient to meet the objectives of the defense program without the order, which is what Mr. Fleischmann referred to.

Five, what risks would be involved in revocation or relaxation of the order? It is our intention that the Policy Coordination Bureau, in cooperation with the other officers, will, as you go along, elaborate this kind of a policy guide and prepare a schedule to provide the most effective and expeditious review of all the orders we have.

I think it will be of interest to the committee to know that this process of reassessment is going on and has gone on pretty continuously. Whereas there have been a total of 350 orders or issuances, as we call them, on the books at one time or another, by this process of reassessment and winnowing them out, we have a hundred, or thereabouts, on the books today.

If it would be of interest to the committee, I have a copy of a letter sent to Senator Maybank a few weeks ago which has attached to it some 14 specific samples of decontrol or suspension of control actions that have been taken beginning last August.

Mr. BURTON. It is my understanding, Mr. Fowler, that each material is being relaxed or released as rapidly as you feel it is safe.

Mr. FOWLER. That is correct.

Mr. BURTON. That applies not simply to the CMP materials but to all?

Mr. FOWLER. That is correct. In these instances, the 14 that I refer to, they are non-CMP materials.

Mr. BURTON. If you have it before you, you might read it into the record.

Mr. FOWLER. Some of them I cannot pronounce but I will try. Deerskins, that was revoked at October 1, 1951. A decline in military demand for combat gloves resulted in a revocation of an order that reserved them for military use.

Mr. BURTON. You said 14?

Mr. FOWLER. Yes, sir.

Mr. BURTON. We would like to get an idea of their relative importance. That is what we are after.

Mr. FOWLER. Sole leather, was decontrolled on July 31, 1951. Cattle hides, calfskins, and kips. Rubber was substantially decontrolled. We still have a specification control, but by and large the problems——

Mr. BURTON. It is a free market to all intents and purposes.

Mr. FOWLER. Glass containers, storage batteries, cadmium and lead are typical examples of things on the list.

Mr. FLEISCHMANN. May I add a footnote to what I said about decontrol? It is important. I must make this reservation. If there is a steel strike, any possible timetable for decontrol would have to be altered. That would have to be understood.

Mr. DALMAS. Would Mr. Fowler object to including a copy of that letter and the attached table in the record?

Mr. FOWLER. Not at all.

Mr. BURTON. That will go in the record.

(Exhibit 28 in the appendix.)

Mr. SEELY-BROWN. May I ask a question?

Mr. BURTON. Mr. Seely-Brown.

Mr. SEELY-BROWN. This question is directed to both of the gentlemen. In light of the debate which we had last week and in view of the action which was taken on the floor of the House when we had our supplemental appropriation bill up, and in view of the questions that were asked by some of the members and statements that were made by some of the members during that debate, I wonder if you could advise me as to the possibility of a real absorption by the DPA of NPA.

Mr. FLEISCHMANN. There is a long history of that. I will very briefly summarize that. Unlike many of my associates I have from the start, Mr. Seely-Brown, felt that the two should be a single agency. I said that publicly and privately, and many people have disagreed with me.

But based on past experience I always thought it was a mistake that the DPA and NPA were two agencies. By great good fortune, Mr. Fowler and I have worked so long in close association, both in and out of the Government, and we know each other so intimately, that I do think we have minimized the disadvantage of having them separate.

That is just a fortunate circumstance. I believe that the job of distributing materials is a single job. It so happens that you have to have in one place something that you call policy, or the determination of requirements, and in the other place you have to have the operating people. But I think the difficulties are maximized by having those two separate as we have here now.

I urged that right from the start. The reason why it was not put together is that apparently a decision could not be reached as to whether that should be inside of the Commerce Department or outside of the Commerce Department. To me that always seemed a much less important question than whether or not they should be separated.

I was overruled on that point. There was a time, as perhaps you will recall, when in recognition of the need for close integration of the

two, I was given the responsibility for both agencies, which I discharged for about 6 months until I was able to entice Mr. Fowler from more gainful efforts and get him back in the Government for a while.

But I have not changed my view. I think the two should be one. I feel that just as strongly now as I ever did.

Mr. SEELY-BROWN. You appreciate the fact that all of us are trying to make a sincere effort to avoid duplication wherever possible. I always approved of the stand that you personally have taken. I would like to ask Mr. Fowler this question if I may: Would you care to discuss whether or not there is any duplication in fact between the Office of Small Business in NPA and the Small Defense Plants Administration?

Mr. FOWLER. I would answer that this way: There is duplication. Whether or not it is a healthy or unhealthy duplication is a matter on which Congress has made a judgment, and I accept that judgment and will attempt to work under it.

We do both have a—I would rather use the words "common responsibility" to look out for in terms of the handling of priorities and allocations the policies that Congress has set forth in its act with reference to small business. There is no doubt about it that some of the people are doing the same thing.

Congress has made a judgment that that is a healthy and desirable way to operate and I am not going to assert any different opinion or any contrary way. I do not think it would be profitable for me to do anything but to go ahead under the mandate that the Congress has set forth.

Mr. SEELY-BROWN. Would you care to comment as to whether or not you feel that one or the other could do the job adequately?

Mr. FOWLER. I would certainly have to say and do say and do believe—and I say this because I have no share of the credit; I came into this operation as Mr. Fleischmann's deputy in September, and it was my view then, as it is now, that up to that particular point the National Production Authority had done a much better and a really fine job in looking out for the interests of small business, particularly as I compare it back to our experiences in the War Production Board.

The procurement thing is another angle. We really did not have in NPA any responsibility for looking out for the interests of small business in the procurement field. We were trying to correlate, and I think a great deal of good work was done even though it was not our responsibility, in pointing out to the services ways and means whereby small manufacturers could be brought in as part of the productive phase.

I think that is a separate question and naturally I do not want to get on to the preserves of the services as to whether the creation of Small Defense Plants Administration was necessary for that particular purpose. My own feeling is that I am just not close enough to it to have a judgment.

I do think that it is most important—and this I would throw out quite strongly—that whatever the agency is that is set up to administer the over-all priorities and allocations authority, if the Congress feels that there is a policy that it wants to see carried through, it ought to do as it has done, and tell that agency to carry through that particular policy.

If it wants to have another agency to cooperate or consult or to look over the shoulder and see that the first agency is doing it, that I say is a matter of individual opinion. But don't, for the Lord's sake, give the responsibility to allocate materials to two different agencies and do not give the responsibility to allocate materials to one agency and not make that agency also responsible for carrying out your policies on small business.

On the matter of unification of NPA and DPA, I commented on that briefly in the letter to Congressman Patman which was the letter of March 4, which I believe is available for the committee's records. It only adds what Mr. Fleischmann has indicated, that as an actual matter of fact, we are operating on a coordinated fashion pretty much as one agency would operate.

We have certain common offices, the Office of Public Information, we are not getting out different press statements, we have the common Office of Administrative Services to deal with personnel and space and other common problems of that sort.

To as great an extent as possible, I do think we have a unified and coordinated shop.

Mr. FLEISCHMANN. I think that I can say with a great deal of conviction that there is no—no; I will not say "No"—there is an absolute minimum of duplication of effort and expenditure in this set-up because of the relationship we have had.

Some of you will remember, in World War II there were something over 20,000 people engaged in this operation in the War Production Board. I do not want to press the analogy too much, but we are doing substantially the same kind of a job—not on quite the scale, but about the same—and we are doing it with fewer than 5,000 people between the two agencies, which will give you some estimate of the fact that there has not been a tremendous loss of efficiency.

Mr. SEELY-BROWN. That is very factual evidence.

Mr. BURTON. You are to be highly commended for the way that you are cooperating and working the two agencies together.

Mr. FLEISCHMANN. Thank you. We do it as a matter of personal preference, too, as we are old friends.

(Letter of March 4 referred to above follows:)

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, March 4, 1952.

Hon. WRIGHT PATMAN,
Chairman, Select Committee on Small Business,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN PATMAN: I have read with interest the Progress Report of the Select Committee on Small Business (House Report No. 1228) and the earlier preliminary report of Subcommittee No. 3 on the Problems of Small Business Under the Controlled Materials Plan (House Report No. 1081). I agree with your Committee that the continued well-being of our small-business institutions is of major importance to our national economy.

It has been the continuing aim of the National Production Authority in carrying out its responsibilities under the Defense Production Act to encourage small-business enterprises to make the greatest possible contribution toward achieving the objectives of the Act, and in allocating scarce materials we have constantly endeavored to make available to small-business concerns their fair and equitable share of the available civilian supply. The constructive comments and suggestions of your Committee, as set forth in the two Committee Reports mentioned above, have been of great assistance to us in revising our programs and operations in order to assure the greatest possible assistance to small business, consistent

with the other objectives of the Defense Production Act. I thought that you would be interested in knowing what action the National Production Authority has taken pursuant to recommendations of continuing significance.

1. Importance of accurate estimates of material requirements

The Committee has emphasized the importance of accurate estimates of the requirements for materials which are submitted by the thousands of producers coming under the Controlled Materials Plan, and has pointed out that loose estimates of such requirements tend to widen the margin for error in making realistic program determinations. We fully agree that it is important that estimates of requirements be as accurate as possible, and we have taken definite measures to improve our procedures for determining material requirements.

As was recognized by the Committee in House Report 1081, third quarter of 1951 operations were influenced by the fact that this was a transitional quarter. Since the third quarter, with the development and use of improved reporting forms as to quantitative consumption of materials, particularly Forms CMP–56, CMP–57, CMP–61, and CMP–64, reports and claims for material based on base-period usage can now be readily checked against the information provided in the above-mentioned forms, thus affording an added basis for the accurate determination of present requirements where the allotment of materials is predicated on base-period usage. Other data gradually developed through experience, together with the specialized knowledge and training which have been acquired by NPA analysts, have become increasingly useful in evaluating requirements claims. Thus, NPA has built up a body of statistical data and a corps of trained analysts which now enable us to make a reasonably accurate determination of materials requirements. In addition, the establishment of Requirements Committees in the NPA Industry Divisions handling end products, composed of personnel who are intimately conversant with the problems and requirements of particular industries, has been of great value.

In the exercise of its programming function, the Requirements Committee of the Defense Production Administration receives quarterly statements of materials requirements from each of the claimant agencies. We understand that DPA is making every effort to improve its screening procedures in order to achieve maximum accuracy in determining the actual requirements of the claimant agencies. Moreover, the Construction Analysis Staff of DPA, which works with the Requirements Committee, screens the stated requirements for structural steel, primarily for industrial construction, for the purpose of determining whether the stated requirements are realistic in the light of the construction schedules both in terms of quantities requested and the schedule of deliveries.

2. Difficulties in placing orders for steel

Both reports of the Committee refer to complaints from small-business men concerning their inability to cash their fourth-quarter CMP tickets at a steel mill or warehouse. The Committee urged prompt action to eliminate these difficulties.

The inability of many manufacturers, particularly small manufacturers, to turn their CMP tickets into steel in the early days of CMP operations was a matter of grave concern to NPA, and measures have been taken to remedy that situation. With greater experience under CMP, improved and tighter procedures for determining requirements and estimating supply, the development of refined criteria for the making of allocations, and the development of a program to provide special assistance, especially to small business, in placing orders, it is fair to say that a CMP ticket is now a certified check for substantially all forms of steel.

The Committee will be interested to learn that we made a survey of a representative group of companies using carbon steel to determine whether the small manufacturing concern was at a disadvantage in its ability to take its CMP allotment to a mill or warehouse and get its order filled. The survey showed that the procedures which were established to assure that small businesses were protected under CMP were effective as early as the fourth quarter. The figures on the carbon-steel survey show that those firms with less than 100 employees reported that they were able to place their tickets at a rate of approximately 93 percent to 96 percent of the tonnage for which they had tickets. For firms with 100 to 499 employees, the percentage of placement was 78 percent to 97 percent; and, for firms with 500 and more employees, it was 71 percent to 98 percent.

The only conclusion that we can draw from this study of carbon steel is that through the warehouse order, M–6A, and through other devices adopted by NPA, the smaller manufacturers were faring better in their ability to place their tickets and get their orders accepted than the larger firms.

For the first quarter of 1952 practically all CMP allotments were convertible into steel. This is indicated by the fact that all requests received by NPA up to February 19, 1952, for special assistance in placing steel orders for the first quarter of 1952 covered a total tonnage of less than 1 percent of the total amount of steel against which allotments were issued for the first quarter.

In order to provide maximum assurance for the placing and acceptance of authorized controlled materials orders, NPA inaugurated, in December 1951, a comprehensive and concrete program for providing special assistance in placing orders. Under this program particular responsibility has been placed on the Iron and Steel, Copper, and Aluminum Divisions to provide assistance in the placing of authorized controlled materials orders. One of the most important responsibilities of the Office of Small Business, NPA, is to expedite action by these divisions on requests received from small-business concerns for assistance in placing their CMP tickets. Certain personnel in these divisions have been designated as focal points in this special procedure and have been assigned the primary responsibility in conjunction with the Office of Small Business for giving assistance in their respective product areas.

3. Simplification of CMP regulations

The Committee has referred to the complexity of the CMP regulations and has stressed the importance of simplifying these regulations so as to make them more understandable to the average small-business man.

It must be recognized that the Controlled Materials Plan is an extremely complex subject and that, as a result, some of the provisions of the CMP regulations are technical in character. Nevertheless, we have been alert to the need for simplifying the language of the regulations and for promoting clearer understanding, particularly among small-business men, of the requirements of the regulations. As the CMP regulations are amended, constant efforts are made to clarify and simplify the provisions.

With the inauguration of the CMP program, a broad and continuing NPA field personnel and general public informational and educational program was inaugurated. This program is being maintained and improved as far as possible. Also, as the forms and instructions regarding operations under CMP, particularly Form CMP–4B and the accompanying instructions, are revised from time to time, continuing attention is given to making them simpler and easier to understand.

In addition, there is in preparation a comprehensive question and answer pamphlet on the Controlled Materials Plan which will be particularly helpful to small business. This will be broader in scope than the question-and-answer series issued by NPA for the benefit of small-business firms at the time of the introduction of the Controlled Materials Plan.

In the endeavor to simplify the construction regulations, NPA at the present time is engaged in a complete rewrite and consolidation in one instrument of all of its limitations and controls relating to industrial and commercial construction. This will dispense with the necessity of cross reference to other orders and regulations and will make it possible for one concerned with such construction to find practically all requisite information in a single document. A separate order is being prepared covering housing construction which will serve the convenience of many small contractors who are engaged only in this type of construction.

4. Unification of DPA and NPA

The Committee has recommended that DPA and NPA should be unified in the interest of a coordinated program.

While it has been decided that NPA and DPA should continue to be separate agencies, the two agencies through a close cooperative working relationship among their personnel have in fact achieved a unified operation. Furthermore, there is a single office which provides administrative services for both NPA and DPA. These services include personnel services, budget and management, correspondence control, communications, accounts, program analysis, printing, and others. Similarly, a single Office of Public Information provides information services for both agencies. This results not only in a coordinated program but also achieves substantial economies in expenditures of funds. It may also be noted that the continuation of NPA as part of the Department of Commerce has the advantage of enabling us to utilize the long-established field offices of the Department throughout the country.

5. Direction 3 to NPA Order M–1

The Committee, in House Report No. 1228, has referred to criticisms of Direction 3 to NPA Order M–1 by small plants having difficulty in placing orders for steel and has recommended that Direction 3 be rescinded.

Prior to the issuance of Direction 3 to NPA Order M–1 on August 21, 1951, steel producers were required to accept all authorized controlled materials orders without regard to their source. As a result, there developed a needless and wasteful cross hauling of steel products, an impairment of normal customer relationships, and an interference with mills' efficient operation in that (*a*) the normal mill supplier was in a position to anticipate the needs of his historical customers at a given time, whereas he was unable to do so for completely strange customers, and (*b*) raids were being made on individual production units, which in certain cases were to the detriment of defense or defense supporting orders. Direction 3 permitted steel producers to accept or reject authorized controlled material orders up to 15 days before the expiration of lead time. During the 15-day period immediately preceding the expiration of lead time, the producer was required to accept orders up to capacity on a first-come-first-served basis. While Direction 3 was revoked on February 1, 1952, the substance of the Direction was incorporated at the same time in section 8 of NPA Order M–1, as amended.

As is pointed out in House Report 1228, at pages 46 and 47, the criticism of Direction 3 stemmed from small plants having difficulty in placing orders for steel in the fourth quarter of 1951 and the belief that this difficulty in many cases was caused by the mills distributing their steel to their favored customers to the detriment of small manufacturers who did not enjoy a long-standing historical relationship with a mill.

As we have shown in the discussion of point 2 above, the measures adopted by NPA during the fourth quarter and since then to assure the filling of CMP orders for steel have practically eliminated the difficulties that had been encountered by small-business men in placing their CMP tickets. This in turn has largely removed the basis for criticism of Direction 3 to NPA Order M–1.

In addition, it should be noted that, in order to assist persons holding CMP allotments who may be unable to place their orders, section 9 of NPA Order M–1 provides that any person who is unable to place an authorized controlled material order due to the provision in section 8 (which incorporates in substance the provisions of Direction 3) should apply to NPA on Form NPAF–148, and NPA will arrange to assist him in locating other sources of supply. Requests for assistance in placing first quarter 1952 orders under this provision and the similar provision which was contained, prior to February 1, 1952, in Direction 3 to NPA Order M–1 have been relatively few.

6. NPA Order M–6 and M–6A—Steel distributors

House Report No. 1228 recommends that further efforts be made to supply steel warehouses with adequate stocks and that the "inequities imposed upon independent warehouses by the present base period" be eliminated.

We think the Committee will agree that Orders M–6 and M–6A, which assure all steel distributors minimum basic allotments from their historical mill suppliers, have been beneficial to small business, since small manufacturers generally depend upon warehouses for their supply of steel. This basic minimum allotment originally was 85 percent of the tonnages received by warehouses from their suppliers during the first 9 months of 1950, but, effective January 1, 1952, this basic percentage was increased to 100 percent in order to ease further the warehouse supply situation. The most current information indicates that steel warehouses now have a reasonably satisfactory supply, and the Committee can be assured that NPA will continue to make every effort to correct supply dislocations that occur in this area.

With respect to the base period, it should be noted that NPA Order M–6 was originally issued on November 8, 1950. In selecting the base period, it was first thought that the first six months of 1950, would be an appropriate period in line with the provisions of section 701 (c) of the Defense Production Act relating to a representative pre-Korea base. However, a study of records of shipments to warehouses revealed that this period was not equitable because shipments during this period and for some time prior thereto had been less than normal. Accordingly, it was believed that the inclusion in the base period of the third quarter of 1950, which reflected greater warehouse activity following the attack on South Korea, would better indicate the normal flow of steel products to distributors. It thus appears that the period January 1, 1950, through September 30, 1950,

was the most equitable base period which could have been selected for the steel distributors.

The available evidence indicates that the independent warehouses have fared at least as well as the so-called captive warehouses under the warehouse orders. It is suggested that the Committee refer to NPA any cases known to the Committee in which independent warehouses have been adversely affected, as compared with other warehouses, by the base period used in Orders M–6 and M–6A.

7. Maximum possible delegation of authority to regional and field offices

House Report No. 1228 recommends that all defense agencies delegate as much authority as possible to regional and field offices so that small-business men may obtain decisions quickly and without the necessity of a trip to Washington.

It has been the continuing policy of NPA to delegate authority to its field offices to the greatest extent possible and as rapidly as conditions permit. Under the so-called small-order program, field offices were permitted to approve applications for controlled materials within certain quantitative limits almost automatically.

Further review of operations under this plan indicated that additional authority and operational responsibility could be decentralized to the field offices. As a result, the field offices have processed paper for approximately 25 percent of all materials allocated for the second quarter of 1952, using exactly the same criteria and procedures as are employed in the Washington operation.

The Committee may be assured that NPA is aware of the benefits that acrrue to small-business men from the decentralization of operations, and we are constantly reviewing our field procedures in order to delegate additional responsibility to the field offices whenever feasible.

In conclusion, I can advise you that the views of the Committee have been carefully examined by NPA and that, in consequence, there has been a reappraisal of our programs and procedures as they affect small business. In additon, I am presently engaged in an examination of all NPA operations involving an independent review of the work and problems of each of the 36 Industry Divisions and the other Offices and units of NPA. In this way, I shall be able to determine our strengths and weaknesses and to take such steps as may be needed to improve our operating effectiveness. A reexamination of the impact of NPA's operations upon small business is an integral part of this comprehensive review program.

Sincerely yours,

HENRY H. FOWLER, *Administrator.*

Mr. BURTON. Mr. Multer.

Mr. MULTER. I respect the so-called free-enterprise principles that urge most of our industries to come before us and pressure both the Congress and the agencies for decontrol, although at times I have suspected the motives of some industry representatives.

I hope that the Congress and the agencies are not going to succumb too fast to these decontrol efforts, because it would be tragic to decontrol and then have to go back and recontrol. We have all heard a lot about these formulas. I know that your agency and the other agencies that have jurisdiction over these matters are doing their best to decontrol as fast as possible.

I do wish that some of these industry representatives who are constantly asking you people—and some Members of Congress, too, Mr. Curtis—asking you to give us a formula would come forward and suggest to you or to us, or both of us, some formula.

I do not see how you can take a mathematical formula and say 1, 2, 3 and get 6 out of it, although that is the total of the 1, 2, 3.

Mr. FLEISCHMANN. That is the thought that I was trying to express to Mr. Curtis. I have searched now for 10 years for such a formula. I do not see one. I tried in the statement to express to this committee, as the one that is charged with small-business responsibility, just to fly a little red flag in the rush toward decontrol, because history shows time and again that the man who is hurt in a scramble for materials is small business.

It just happens in 1, 2, 3 order. I would almost guarantee that the first quarter after decontrol will be a very difficult one for small business. I am certain of that. The trouble is, that is always true, and you have to take the plunge sometime or else you would go on with this forever, which I have heard nobody advocate.

It is a delicate situation.

Mr. CURTIS. May I interrupt?

Mr. FLEISCHMANN. Yes.

Mr. CURTIS. Suppose, before you actually decontrol, you went through a couple of phases, and one of them would be increasing self-certification. Actually, small business would not be hurt so much. That is one example.

Mr. FLEISCHMANN. I think that is a very sound suggestion. We are doing two things: We will increase self-certification, take another look at it, and see if we can do it further.

Secondly, as you all know, we are greatly increasing the number of tickets or allotments that are out. It is a kind of testing of the market that we do. If they can absorb this greatly increased allotment of materials, then we have a pretty good feeling that the demand and supply are in good relationship.

Mr. CURTIS. Naturally you cannot have a mathematical formula, but really the steps that you have taken—and you have decontrolled other things—I think all that would be necessary would be to formalize the very things that you have been doing so that it becomes apparent to everyone what guides you do use in order to determine whether you are reaching the point of decontrol.

Mr. FLEISCHMANN. I think that is true. The two factors—I will restate them—that I consider most important are when your judgment, based on all the factors you know, is that supply and demand are in rough equality, No. 1, and, secondly, when the military and highly essential demand for the particular item is somewhat under 25 percent.

As near as I have been able to come in my own thinking I might say also that compulsory demand ought to include stockpile. I want to remind this committee that due to this tremendous squeeze that we have been in for a number of quarters, the stockpile in some of the tighter metals has been neglected.

It could not have been otherwise or we could not have gotten through here. As a matter of sound policy which should we do first, decontrol or start resuming stockpile acquisitions? That is just one of the many questions that you have to think of before you do this.

Mr. EVINS. Mr. Chairman, I have no questions but I wish to make an observation. Mr. Fleischmann has made a splendid statement. He has a most difficult job to perform and should be commended for the job which he and Mr. Fowler have done under the circumstances.

Mr. FLEISCHMANN. That is certainly music. Thank you very much.

Mr. FOWLER. Thank you very much.

Mr. BURTON. Mr. Curtis? Do you have additional questions?

Mr. CURTIS. Yes, just general. First of all I would like to get an understanding, Mr. Fleischmann, on the International Materials Conference and just how that fits into the picture. That would be a matter of demand, would it not? As I understand it, the conference

meets and decides what materials are available among the free nations, and possibly the actual amount of materials that we have available in this country for our own people and the military, too, might be cut down.

I wonder if you would briefly explain how that operates.

Mr. FLEISCHMANN. Let me preface it by saying this, which might also be helpful. Mr. Wilson and I have been summoned to appear before Senator Maybank's committee tomorrow to make a full account of the theory and practice and operation of the International Materials Conference. He has prepared a very lengthy history and statement of it.

I would suggest, in addition to what I say here, that if you would like that, that we will make that available as part of the record of this proceeding.

Mr. BURTON. We will be glad to have that as part of the record.

(Exhibit 29 in the appendix.)

Mr. BURTON. We would like to have you make a brief statement on that.

Mr. FLEISCHMANN. The International Materials Conference was set up I think in January 1951 as a result of experience that was gained in World War II. It is a continuation, therefore, to a minor degree of the type of international consultation that was carried on under World War II conditions and is a reflection of the fact that the basic metal problem is much the same today as it was in World War II.

That metal problem I think could best be explained in terms of copper, and that is that the world supply of copper is wholly inadequate to meet the world demand. I am now speaking of the free world when I speak of "the world demand."

Of course, what the Russians have we do not know and it is not available to us anyhow. The world supply of copper—that includes, of course, the supplies basically from Chile, Canada, Africa, the United States, and Belgium to a lesser extent, those being the big suppliers—is wholly inadequate to meet the world demand.

Of course that situation becomes very acute when you superimpose on a normal economy the tremendous new demands of the military, because that is the one item for which the military in every country has an insatiable appetite because it goes into ammunition. Starting right after Korea, a runaway situation developed in the international metals markets.

I need only remind this committee what happened in tin, which was not even in short supply internationally. The price went up by leaps and bounds until it really disappeared off the charts. Exactly the same thing, but on a lesser scale, happened with copper, zinc, lead, a few other key commodities badly needed in the defense effort.

There were two courses open to the nations which needed these metals for the war effort. They could engage in an all-out bargaining operation, each one trying to outbid the other for the unlimited supply. Who would profit from that? Of course the producing country would be the principal gainer from that operation.

The loser obviously would be the American taxpayer. Would we obtain—would every nation obtain their requirements? Of course not, because the supply is inadequate. So with that unplanned kind of bidding up, you would have, in my judgment, the worst method of

distributing the materials in that situation—exactly the same conditions which led us to adopt the Controlled Materials Plan domestically. Faced with that situation we did exactly what was done in World War II and I think it was right. We and the British and the French jointly invited some 25 or 26 nations to sit around a table and discuss a more reasonable method of dishing out these short supplies.

Point 1 is this: The International Materials Conference has no power to decide anything. We have delegated no power to that agency. They may make recommendations to us and the other governments. If the advice is bad, we are at perfect liberty to reject it.

Mr. CURTIS. Haven't we been accepting it?

Mr. FLEISCHMANN. Yes, we have, because the advice has been very good.

Mr. CURTIS. From a practical standpoint actually we have accepted it and that has been the limit on what supplies we have. Is that not true?

Mr. FLEISCHMANN. No, it has not been the limiting factor on the supplies.

Mr. BURTON. As I understand it, this is the CMP internationally.

Mr. FLEISCHMANN. Except that we are not bound to follow it. We can reject it.

Mr. CURTIS. But we do follow it, so that is really an academic statement.

Mr. FLEISCHMANN. I want to point out, Mr. Curtis, that that is not correct. If we had gotten in the international markets the amounts of copper which had been recommended to us as our fair share, we would be in far better shape than we are in today. The IMC has not acted as the limitation on the copper which we have gotten.

Mr. BURTON. Why have you not gotten it?

Mr. FLEISCHMANN. Because in the stabilization policy we have not been willing to pay the top price set by some of the countries to get the last ounce of copper out of there.

Mr. SEELY-BROWN. Who is getting that copper now?

Mr. FLEISCHMANN. A good deal if it is backing up because nobody will pay those prices. Take the zinc picture: As a result of these arrangements—I think I had better start a little earlier and start on the basis on which these recommendations are made.

You will find, if you examine the IMC recommended allotments, that in almost every case the share of the United States is higher than any historical basis would have authorized. The reason for that is this: There are two principles of recommendation in the IMC which I think are sound.

No. 1, we first attempt to discover and state mathematically the mobilization requirements of the whole free world, those participating in our defense.

Mr. CURTIS. When you say "We" you mean those other nations and ourselves?

Mr. FLEISCHMANN. And ourselves.

Mr. CURTIS. How much does the State Department participate in that? Our State Department is right in the middle of it, is it not?

Mr. FLEISCHMANN. The State Department does not participate at all.

Mr. CURTIS. I have been given some information which has been compiled on this. (Exhibit 30 in the appendix.) Let me ask then, what position does Mr. Armstrong have? He is acting special assistant, Office of International Materials Policy, Department of State.

Mr. FLEISCHMANN. I will tell you who the personnel are and what their official positions are.

Mr. CURTIS. Specifically, he made a lot of statements. We have some of them here.

Mr. FLEISCHMANN. Yes, sir. I will tell you why. Congress has asked him how this operates. He has undertaken to give that information.

Mr. CURTIS. What does that title mean, acting special assistant, Office of International Materials Policy, if he does not have a lot to say about what we are doing?

Mr. FLEISCHMANN. I do not know what the title means. I can tell you exactly how the IMC works.

Mr. CURTIS. What does he do?

Mr. FLEISCHMANN. I do not know who Mr. Armstrong is. I never heard of him until you mentioned him.

Mr. CURTIS. That is what I am interested in finding out.

Mr. FLEISCHMANN. I do not know.

Mr. CURTIS. What does Mr. McFall have to do with it? Anything?

Mr. FLEISCHMANN. How do you spell the name?

Mr. CURTIS. Jack McFall, Assistant Secretary of State.

Mr. FLEISCHMANN. Never heard of him either until this moment.

Mr. BURTON. Mr. Fowler, have you information on that?

Mr. FOWLER. No, sir; I am sorry I cannot enlighten the committee. I recall reading in the press that there is a Mr. McFall who is in charge of congressional liaison between the State Department and the Congress, but I was not aware of his activities around this International Materials Conference.

Mr. CURTIS. It is only because he has been able to give us certain information, or has, in the State Department. Apparently the main one over there, I would say, is Mr. Armstrong.

Mr. FLEISCHMANN. Would you like to know who does do the work?

Mr. CURTIS. Yes. I wanted to ask these specific questions first.

Mr. FLEISCHMANN. There are a lot of people who do not do the work. I am prepared to tell you who does do the work.

Mr. CURTIS. Yes. But I can sometimes get at things a little quicker by asking specific questions.

Mr. FLEISCHMANN. I will answer any of those about who does do the work.

Mr. BURTON. Do you wish to put that in the record?

Mr. FLEISCHMANN. I think it would be of some interest in the committee to have the people who do the work as distinguished from those who do not do the work.

Mr. BURTON. I agree.

Mr. FLEISCHMANN. The people who do the work—in the first place, this is all done under the direction of Mr. Wilson. I serve under the direction of Mr. Charles E. Wilson, Director of Defense Mobilization. That is point one. I have a directive from him. I think it would be of interest to the committee to put that in the record. We will put it in the record if that is agreeable. That is point one.

(Exhibit 31 in the appendix.)

No. 2, under Mr. Wilson, I have the responsibility for deciding ultimately the policies that are followed by the American representatives in IMC. I have a deputy for that purpose. The deputy's name is Mr. G. J. Ticoulat—T-i-c-o-u-l-a-t. Mr. Ticoulat is deputy administrator of the Defense Production Administration, and in private life he is executive vice president of the Counselor Bank Co. of San Francisco. He has never been an executive of the State Department.

The IMC itself is made up of a central group and commodity groups. Mr. Ticoulat is the American senior representative on the central group, and the only American representative on the central group. He serves under my general direction.

The commodity groups consist of one group for each commodity, like copper, zinc, sulfur, et cetera. On each of those commodity groups are representatives of the countries interested in that particular material. In most cases the American representative is the NPA or the DPA industry man for that particular commodity.

I would be glad also to furnish a list of the particular representatives. It may be that in a particular commodity there is someone other than the NPA man in a particular commodity, but the usual rule we follow——

Mr. BURTON. That we will be glad to include in the record.

Mr. FLEISCHMANN. The usual rule we follow is to appoint the NPA industry man on that commodity. That is the whole set-up of the executive staff of the IMC, all under my direction or, rather, under Mr. Wilson's direction. They are advised by a Materials Policy Committee, of which I am the chairman and Mr. Ticoulat is the vice chairman. (Exhibit 32 in the appendix.)

Mr. SEELY-BROWN. Could I ask you a question in connection with that? It is my understanding that you said earlier that the major share of the metals which are allocated under ICM have come to this country.

Mr. FLEISCHMANN. Yes, by far the majority. A technical point in which the committee, I think, is interested. This is not an allocation in the same sense that we make allocations of many materials in this country. There is no guaranty that any nation will get the allocation that is made. It is not an allocation in that sense. What they do is sit around a table and decide what would be the approximate best distribution of metals in order to take care of the mobilization program. Secondly, they see to it that after that is taken care of, each country gets a fair share of the rest, based then on their historical use.

Mr. SEELY-BROWN. What I was getting at in connection with that—and I understand the situation as you have described it, certainly—if a country, say the United States, has a certain "allotment"—I will put the allotment in quotes—of copper in this program, and then some of that copper goes into the manufacture of war items which are then in turn shipped, let us say to England or any of the NATO countries, is the copper used for that purpose balanced on our credit card or the English credit card?

Mr. FLEISCHMANN. That is a preferred item. Whether or not it ultimately goes to England or the United States, it is a preferred item to the country who fabricates that copper because military requirements are taken out of the pot first. So that it would be a credit on our accounts since we are manufacturing it.

Mr. SEELY-BROWN. But they would in fact get the benefit of it?

Mr. FLEISCHMANN. Actually what would happen is that it would go to the NATO, to the Eisenhower operation, for redistribution as an arms operation. In that sense many of our items are war items.

Mr. CURTIS. You were discussing materials policies.

Mr. FLEISCHMANN. Yes. The Materials Policy Committee—as I say, I am chairman and Mr. Ticoulat is vice chairman—consists of representatives of all of the interested arms of our Government. On that the State Department does sit, usually Mr. Willard Thorp, who is the Assistant Secretary for Economic Affairs, if I have his title right. He sits on that committee. Mr. Small sits for the Munitions Board, Dr. Elliot for Mr. Wilson, usually Jess Larson or Howard Young for that board.

Mr. CURTIS. Is that a Presidential-appointed board?

Mr. FLEISCHMANN. I will go back to that. Mr. Ticoulat was designated by the President as our representative on the IMC. The board was set up pursuant to a directive from Mr. Wilson, and each agency designates its own senior representative. The theory is that it is supposed to be a top-level advisory board. We take up, for example, the matter of the allotment of copper which we think we ought to be able to obtain. I might say, Mr. Curtis, we do not only take up the amount that we think would be a fair share of the copper but we discuss methods that might be used to get that copper once that determination is made.

Mr. CURTIS. May I interrupt? Is Winthrop G. Brown on that?

Mr. FLEISCHMANN. Winthrop G. Brown is Thorp's assistant. He is an alternate and sits only when Mr. Thorp does not.

Mr. CURTIS. He is in the State Department?

Mr. FLEISCHMANN. Mr. Thorp is the State Department representative. Mr. Winthrop Brown is his—I do not know whether his assistant or deputy but he sits when Mr. Thorp does not. I should state this for the record because I would not discharge my own responsibility if I did not.

After considerable study of World War II, I do feel that whether the IMC is the ideal arrangement or not, some form of international cooperation in materials is essential to a mobilization effort. We are a "have-not" Nation in so many items. Take cobalt, as a good example. We do not produce a tenth of the cobalt we need to go right into our planes and tanks and jet engines.

Mr. BURTON. Where do we get it?

Mr. FLEISCHMANN. Africa. Unless we are agreeable to making arrangements with other countries which do produce these things for an equitable distribution—and by "equitable" I mean one that protects the war effort—I really fear for the future security of our Nation. I am not trying to exaggerate. I am trying to state my own sober conviction.

Maybe the IMC could be set up better. Maybe it should be stricter or maybe looser. But I am as convinced as I can be of anything that we need some form of international cooperation. Tin, for example, has never been under the IMC allotment at any time. Look what happened. We have been victimized by high prices in tin to a point where we didn't get any for many, many months. That type of dog fight in international relations is not good, in my judgment, if we are going to meet our mobilization goals.

Mr. BURTON. Mr. Hill?

Mr. HILL. I have been very interested in all your statements How do you have a controlled plan of our strategic metals and deal with all these various countries without immediately getting into the value of the currencies as between countries? That brings you right back to the gold standard.

Mr. FLEISCHMANN. That is an interesting question because we have considered it many times. The International Materials Conference has never taken up the matter of price control. It had nothing to do with price matters. Some of the countries have felt that we should do it, but we have not ever done it up to the present time. We have limited the IMC recommendations to the amount of metal—sulfur and one or two other items—which it was felt, after review, would fairly meet our military requirements and give us a fair share of the balance.

Then the problem of procuring it has been left to the individual country. Many people have urged that we should have some form of international price control and regulation. I am not an expert in that field, and my views would not be worth very much.

Mr. HILL. How in the world would you ever expect to make it work?

Mr. FLEISCHMANN. I do not think you could, which is what has kept me from trying to extend it that far. I am certain, from what has happened in zinc, that the IMC experiment up to date has been very successful. It has had an effect on the prices because this agreement on consumption has inevitably brought the price pressures down.

Mr. HILL. The only way we could bring the price down in the world currency in relation to the value of our currency is just not to buy the product, and that is exactly what you did in tin.

Mr. FLEISCHMANN. That is what we did in tin, and it came down.

Mr. HILL. I am afraid it is going on now in wool, in which I am personally interested.

Mr. FLEISCHMANN. I do not know about the wool situation.

Mr. HILL. The same thing that maintained the price of tin maintained the price of wool. We can be on either side of the argument. Our pressure can be placed either way, down or up.

Mr. FLEISCHMANN. In zinc we now have a pretty good fair price and it is flowing well and the IMC has been very successful in that. In copper it has been a little less successful, but the international price of copper is also coming down very substantially.

Mr. HILL. Why is it coming down?

Mr. FLEISCHMANN. Because, through the IMC, you have eliminated this competitive bidding, which, of course, as it did in tin, drove the price right up, doubled it and doubled it again over night.

Mr. BURTON. Is it not a fact that we are getting a better balance between production and demand today in the international market as well as in our domestic market?

Mr. FLEISCHMANN. Yes. I do not like to overstate the case for anything, including IMC. If we did not have any IMC, this country would get along and we would have a mobilization effort, but it does two things: to me it simplifies the job of mobilization effort because you have a supply that, generally speaking, you can count on.

Perhaps, most importantly, it prevents the runaway inflation in the price of these strategic metals that prevents the speculation on the

part of the producing nations which runs these prices up, and I say it is a good thing for the taxpayer, which I like to consider.

Mr. HILL. By that same token, it can run the price up.

Mr. FLEISCHMANN. The IMC?

Mr. HILL. It certainly could. If you started to play on world currency, then immediately you could get us all into trouble. Maybe you have already.

Mr. FLEISCHMANN. I often think I have done it in more ways than one, but not in this particular area, I do not think.

Mr. HILL. I would say from listening that you have not, but I would say that there is a possibility that you could destroy any value of our currency entirely as far as international trade is concerned.

Mr. FLEISCHMANN. I will have to admit, Mr. Hill, that I have not considered that I was in danger of destroying the value of our currency, but I would like to think about that matter some.

Mr. HILL. I think we have certainly. No one argues today that the dollar is worth 100 cents.

Mr. FLEISCHMANN. Certainly mine is not. I think that is true. I do say that when——

Mr. BURTON. It is the best money in the world today.

Mr. HILL. That is why they run the price up on us when we want to buy anything. We meet ourselves coming back.

Mr. FLEISCHMANN. Let me point out what happened in our own market in steel. Mr. Curtis said that probably the high-priced mills are finding difficulty in getting enough business. That is one of the problems you face in a controlled economy because everybody wants the controlled item at the lower price. It is true that when you control demand, as we are doing domestically and to a lesser extent through the IMC, you do run the price down on these items. Fortunately for the United States——

Mr. BURTON. Let's put it the other way. You curb inflation and that is helpful.

Mr. FLEISCHMANN. The standpoint of the United States is the only thing that I am interested in. It so happens that the items selected for control by IMC—there are just a few of them—are items which by and large we are importers of. So that the United States is the gainer in this case in keeping the price within reason. I should like to say in conclusion on that point, if it is in conclusion, that I think we have not done a very good job up to now in explaining what IMC is about. I think there was an aura of mystery about it which was never intended.

Mr. Wilson's statement, which I will furnish to this committee, will remove that mystery. I would like this committee to give it the same careful consideration you have given our other problems. I think you will reach the conclusion it is a good thing. (See exhibit 28.)

Mr. CURTIS. I have one other specific question. The aluminum that was made available by the Defense Department, was that the result of all of the screening that was done to check the inventories of some of our big companies?

Mr. FLEISCHMANN. No; it was not.

Mr. CURTIS. What was it the result of?

Mr. FLEISCHMANN. We did check those inventories and we found very little excess inventory. It was a result, basically, of the so-called stretch-out of the aircraft program. In other words, the peak aircraft

production is now scheduled, or rather the completion of the program is now scheduled, for 1955, as distinguished from 1954. That means a lower rate of acceleration to meet the peak. That has resulted in reducing the current take of aluminum. That has a corollary that is very important, and that is that the highest take of aluminum by the military will not be this summer. It will be in the first quarter of 1953.

Mr. CURTIS. This is a result, then, of screening in the light of production schedules?

Mr. FLEISCHMANN. Yes, sir.

Mr. BURTON. This committee has noted a lessening of pressure. We have not been contacted by small businesses as heretofore——

Mr. FLEISCHMANN. I am glad to hear that.

Mr. BURTON (continuing). Evidently indicating a relief. We have been told, however—you mentioned it—that the tickets are now a certified check rather than a hunting license. That, of course, was one of your objectives. I think an excellent job has been done. Recently we have heard some suggestions that the material itself is available and that tickets were not. Could it be that the supply is getting ahead of the paper work?

Mr. FLEISCHMANN. Congressman Burton, that is an indication of the fact that you cannot win in this business. I will give you an example of what I mean. On February 1 the Aluminum Co. of America put out its magazine in which it upbraided the Government for issuing more aluminum tickets and allotments than the whole aluminum industry could possibly meet. They referred to that not in so many words, but the inference was another example of governmental bungling.

At the end of February the Aluminum Co. of America and all of the other aluminum producers were upbraiding us, the Government, for not issuing enough aluminum tickets. In the space of 1 month.

Of course, neither the Government nor private industry can keep abreast to that extent of those rapid changes. It is one of the things that makes governmental control never 100 percent efficient. It cannot be. It is a nuisance that you have to have in wartime. It is a reason why we should get rid of it. What has happened now is that there is no space vacant during the first quarter for aluminum, as far as we know. There are fewer forward orders on the mill today than there were 2 or 3 months ago. The reason is perfectly clear. If a fellow has a ticket that he knows is a certified check, he doesn't dash out to place that with the mill at the earliest possible date as he does if he is in doubt as to whether he can get it cashed. He waits a little to see if he is going to need that extra aluminum, because market conditions are softening and he feels that maybe he can get along with a lesser amount. In a time of falling prices, that is always what happens.

When you get supply into approximate equality with demand, as we now have under CMP, you have to revitalize that part of the distribution machinery—namely, the sales force—which has been in "moth balls" in earlier days. That is not a bad or abnormal phenomenon: That salesmen should now be going out and performing the functions for which a salesman was designed; namely, to find the man with the order and the ticket.

In other words, we have done a wonderful thing for the sales force of the country by putting them back in business.

Mr. BURTON. However, suppose he finds the man with the order and does not find a man with a ticket? What is to be done?

Mr. FLEISCHMANN. He will find thousands of those cases. You will find many cases where a man would like to order but does not have a ticket.

Mr. BURTON. I have in mind not aluminum but steel at the moment. The question is being raised as to whether there is not more material available than tickets to cover.

Mr. FLEISCHMANN. There has not been any blank space up to the present time in the mills. I don't know whether you happened to see the statistics last week.

Mr. DALMAS. One of the big questions on steel, if I may interrupt, has been the supply of steel in warehouses, particularly steel for construction. Your tickets have not been issued, and the self-certification is not sufficient; so that a man who has a contract to build a schoolhouse or a hospital and who needs 30 or 35 tons finds it impossible to get it. If there were some way to release that warehouse steel, you would cure part of this problem.

Mr. FLEISCHMANN. I think that is correct.

Mr. DALMAS. The only way to relieve that is through increased self-certification. I do not think that you could do it through tickets.

Mr. FLEISCHMANN. It is true that in some areas of the country there is perhaps more than an adequate supply of steel in warehouses. If I have to be accused of mistakes, and I accuse myself of more of them than this committee has, I would rather have made the mistake of having more steel in warehouses than almost any other mistake that I could think of. Some of you remember the last war, when the big mistake that was made was that they did not put anything in the warehouses, and it very nearly shut down business, including particularly small businesses, who buy from warehouses. From the start we followed the policy of keeping the warehouses full of steel, which was a sound one. It now looks in certain localities as though we have a little too much steel in the warehouses.

Mr. DALMAS. I would not say that, Mr. Fleischmann. I think now that spring planting is with us, and spring construction, if you just open that self-certification to a point where an ordinary building as well as a small manufacturer could be taken care of, you are going to solve a lot of these difficulties.

Mr. FLEISCHMANN. I think that is right.

Mr. BURTON. I think you should take some steps, whatever necessary, to see that there is no brake on the wheel.

Mr. FLEISCHMANN. I think that is right. I do not know whether you saw what we did a couple of days ago. We invited everybody who wants to start a project, a construction project, of a less essential nature—which we have had to say "no" to up to now—to come in and make their application now because the fact of the matter is that the structural-steel situation passes its worst point in this coming second quarter.

It begins to ease decidedly in the third quarter and very markedly in the fourth quarter. Then our binding factor will be copper, not structural steel. As far as copper is concerned, the construction industry has done such a magnificent job in reducing the ratio between copper and structural steel that we think we can support almost any reasonable construction program.

They use far less copper per ton of structural steel than they did pre-Korea. Mr. Fowler can comment on that.

Mr. FOWLER. There are several things. I think right now your suggestion that we consider upping these self-certification levels is a very good one, and particularly in the light of some timing factors.

In the first place, when we came into the plans for the second quarter, we were confronted with a situation that I would like to describe briefly. We had a defense industrial-expansion construction program which we had supported with allotments in the fourth quarter and first quarter and second quarter.

We also had a number of plants that were related importantly to the defense program that we had not been able to support. They had been going along on their own materials but there were threatening situations in which they might have to shut off construction, leaving a partially constructed plant.

There were also cases of commercial construction which had been started and had a right to continue under our regulations—we had been allotting those that had been more than 20 percent under way enough material to go ahead and finish. There were a good many more that had been started but were not up to the 20 percent level, and it was an economic waste to have the material standing there in a partially constructed building.

So our first concern was to get in the second quarter material, particularly structural steel, distributed to all partially constructed projects so that everything that was under way could get an approved construction schedule with allotments on a project basis for the second quarter, the third quarter, and the fourth quarter, and thereby the sponsors of those projects would be assured that they could be completed.

Then when we had gone through that we took a careful measure, a rather intensive study, of the prospective requirements in the third quarter to continue these defense industrial plants and to take care of the new military command construction program which was put under way last fall and was beginning to be reflected in requirements in the second quarter and will continue in the third and fourth.

We found as a result of that study that whereas it would have taken approximately 270,000 or 275,000 tons of structural steel to service the defense-plant expansion program in the second quarter, it would only take around 130,000 to 150,000 tons of structural steel to service that program, that defense-expansion program, in the third quarter.

So we saw there that there was quite a margin to begin with. We felt that here was a file of very deserving projects, a relative degree of essentiality, to be sure, that had been filed repeatedly, quarter after quarter, with people anxious to go ahead.

There were 450 churches, there were a number of jails and community buildings, detention homes and so on. So our first move in terms of new starts was to give permits to go ahead to approximately 700 of those public-interest type of structures. We felt they had matured their projects, they had been held up and deferred, they ought to have a kind of green light, a little right-of-way to get ahead of other people who had not had their operations so interrupted on account of the first-in first-out principle.

Then we found, having done that, that there was room to take care of 100 or so projects of ordinary commercial construction, office

buildings, and what not that were located in distressed labor areas where the building trades and the architects and what not had had no alternative defense-plant construction to go to work on.

So we put that in motion. Last Monday—I think you saw, perhaps, Mr. Fleischmann's announcement—we stated that we are hopeful of being able to clean up all the pending applications. We are inviting people to do their advance planning with the notion that they can be given a permit and then an authorized schedule for third and fourth quarter allotments.

Simultaneously there was consideration of the amendment, CMP-6, on construction. We did lift the self-certification limit in that regulation. Having taken care of these other groups of projects which at least in our judgment we felt a little bit of responsibility for, having held them up for quite a while, it does seem to me that we are now confronted with your question, Shall we not lift the self-certification limits further and permit those people who right now, this spring, might get the idea that they want to go ahead and build their store or whatever it may be?

It is a very worth-while thing. I wanted to point out that we had a lot to get through the door before we could reach this particular point. We did not want to issue tickets to these partially constructed buildings for their completion, and to these new and very deserving groups of projects, and not have the steel there in the warehouses to honor the tickets.

If we can be satisfied that the program that we have taken responsibility for is going to be serviced by the materials that are available, and still some to spare, an increase in self-certification is the quickest and perhaps the most direct way of getting this material used.

I do not think we have any difference of opinion. I only wanted to explain factors of timing that have entered in.

Mr. DALMAS. Mr. Chairman, I know that the House is in session and we have a few questions. With your permission I would like to submit them to Mr. Fleischmann and Mr. Fowler in writing.

Mr. BURTON. That we will be pleased to have you do. You can submit the questions and get your replies, which will be inserted in the record.

I would like to thank Mr. Fowler and Mr. Fleischmann for their very frank and candid statements and for covering the situation as completely as you have. We have been very much impressed.

Mr. FOWLER. Thank you.

Mr. FLEISCHMANN. Thank you.

Mr. BURTON. The committee is in recess.

Whereupon, at 12:05 p. m., the committee adjourned subject to the call of the Chair.)

(Supplementary information is as follows:)

DEFENSE PRODUCTION ADMINISTRATION,
OFFICE OF ADMINISTRATOR,
Washington, April 4, 1952.

The Honorable CLARENCE G. BURTON,
Chairman, Subcommittee No. 3, Select Committee on Small Business,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN BURTON: In response to your letter of March 20, 1952, I am sending you herewith the information requested regarding the Controlled Materials Plan.

The major changes which have occurred in the organization and administration of the Defense Production Administration designed to facilitate the operation of CMP, are set forth in the charts contained in Enclosures No. 1 and No. 2. (Exhibits 33 and 34 in the appendix.) The new divisions, committees, and groups, in which you are particularly interested, are identified in the explanatory statements accompanying the charts. We have also included information on the DPA-NPA organization prior to September 1951. It should be noted that the NPA was reorganized in the spring of that year, shortly after the DPA was established, to provide for the future implementation of CMP which was then being developed.

The nature and purpose of the more significant organizational and administrative changes relating to particular aspects of the materials controls system are outlined in Enclosure No. 3.

I shall, of course, be glad to provide your committee with any additional information it may need regarding the operation of the Controlled Materials Plan.

Sincerely yours,

MANLY FLEISCHMANN,
Administrator.

Enclosures (3).

[Enclosure No. 3]

SUMMARY OF SIGNIFICANT ORGANIZATIONAL AND ADMINISTRATIVE CHANGES RELATING TO THE CONTROLLED MATERIALS PLAN SINCE SEPTEMBER 1951

Program Task Group.—Early in March of 1952, changing market conditions suggested the necessity for the NPA to be able to move with rapidity to make appropriate program adjustments. It was felt desirable to create an arrangement which coordinated operating problems and policy changes in such a way that Bureaus and Divisions were kept abreast of changes and that they would participate directly in operating and policy developments. To achieve this objective, the Assistant Administrators of NPA decided to establish a Program Task Group under the chairmanship of the Director of the Program Coordination Division. In addition to the chairman the group consists of a representative from each of the following:

Industrial and Agricultural Equipment Bureau
Metals and Minerals Bureau
Textile, Leather, and Specialty Equipment Bureau
Office of Civilian Requirements
Office of Labor
Office of Small Business
Office of the General Counsel
Chemical, Rubber and Forest Products Bureau
Control Operations Division

It is the function of this group, which meets biweekly, to reach decisions and make recommendations on matters referred to it by the Assistant Administrators, and to take the initiative in the formation of the program and operational decisions. Members of the group are responsible for representing the views of the units named and are responsible for transmitting back to their units full information so that all Divisions will be kept currently informed as to developments involving operations relating to policy.

The Program Task Group is regarded as an adjunct to the Assistant Administrators meetings which has, throughout the life of the agency, served as a periodic medium for coordinating the policy and operating problems presented by the top executive staff of the agency.

Special Munitions Board Reserve.—Experience in the early months of CMP demonstrated the need for special provisions to meet unexpected material needs for the production and early delivery of certain critical military orders of high urgency. To meet this problem a special Munitions Board Reserve was established in the NPA under the control of the Program Coordination Division for the fourth quarter, 1952. On December 11, 1951, the control of this reserve for the remainder of the first quarter 1952, and for subsequent quarters, was transferred to the Director of the Priorities and Directives Division. The memorandum effecting this transfer provided the basic standards for the handling of this special reserve.

The Munitions Board Reserve is kept as a special account, the use of which may be made only on authorization from the Office of Priorities and Controls in the Munitions Board. Before materials in this reserve may be used, the Priorities

and Directives Division is responsible for seeing that certain conditions are met. The Director of the Priorities and Directives Division is charged with the responsibility of keeping complete records of the action taken, and of submitting to the Director of the Program Coordination Division semimonthly reports showing the amounts of materials used in this program, together with the cases and Divisions involved.

Special Harship Reserve.—For the fourth quarter of 1951 and subsequent quarters it was found necessary to make provision for adjustment in CMP allotments in special meritorious cases which could not be handled by the NPA Divisions. For that reason a special hardship reserve was created in NPA and placed under the jurisdiction and control of the Priorities and Directives Division. Materials in this account are used to meet the following needs:

(*a*) Allotments of controlled materials to which an applicant is entitled because of a judgment of the NPA Appeals Board; and

(*b*) Allotments to individual applicants who have shown that they have suffered a hardship, as result of the initial allotment, not generally suffered by the Industry.

Transfer of Small User Cases to Field Offices.—Between the first and second quarter of 1952, approximately 11,000 CMP 4B applications from small users were transferred to the Field Offices for processing and allotment issuance. This transfer grew out of a proposal made in October 1951, for the transfer of cases from Washington to the field so as to cut down substantially the paper work in Washington and to expedite the handling of CMP 4B applications. The mechanics for this transfer are defined in Program Implementation Decision No. 23, issued on November 1, 1951. It was estimated that a large number of cases would be transferred to the field, but that the total requirements of these cases would not exceed 7 percent of the NPA requirements of controlled materials. It provided that the selection of cases to be transferred to the field was to be made by the NPA Industry Divisions. A system has been set up to assure that the field case receive the same treatment as a comparable case would receive in Washington.

Industry Division Requirements Committees.—In September of 1951, NPA created Industry Division Requirements Committees to serve in an advisory capacity to Industry Division Directors in the distribution of controlled materials among the products within the jurisdiction of Industry Divisions. These Committees were created by General Administrative Order No. 101, and their operating policies and responsibilities were defined in General Program Order No. 18. The Committees consist of representatives from interested NPA Bureaus and from other DPA Claimant Agencies that have an interest in one or more product codes under the jurisdiction of the Division concerned. The committee system was created in part to assure a continuity of relationship among "Committee members and claimants which they represent to the end that mutual confidence and cooperation may contribute to maximum effectiveness of Committee Activities."

General Program Order No. 18 requires that the Division Director submit his proposed distribution of materials among Product Codes to his Industry Division Requirements Committee for its consideration. The resulting decision of the Committee is submitted to the Assistant Administrator for Policy Coordination and may not be implemented until the Director has received "written concurrence from the Assistant Administrator for Policy Coordination in the form of a Program Implementation Decision." Any representative of a claimant agency on the Committee who dissents from the decision of the Committee may appeal for reconsideration by the Assistant Administrator for Policy Coordination.

Industry Advisory Committees.—Industry advisory committees are the Authority's established channels for regularized consultation with American industry. They consider and make recommendations regarding all subjects pertinent to the defense production program. Matters relating to the Controlled Materials Plan are frequently discussed at such meetings. When the Controlled Materials Plan went into limited effect on July 1, 1951, the National Production Authority had established 397 industry advisory committees. By October 1, 1951, when the Controlled Materials Plan was extended, the National Production Authority had established 455 industry advisory committees. This number had increased to 538 as of March 26, 1952. Experience has indicated that the industry advisory committees are indispensable devices for effective industry-Government consultation on all matters relating to the defense-production program and have been extremely useful as a means of obtaining a true cross-section view and opinion of American industries regarding the administration of the Controlled Materials Plan.

Small Business Hardship Panel.—In January 1952, NPA established a Small Business Hardship Panel which was to have control over the issuance of supplemental allotments to alleviate special hardships incurred by small businesses. Material for these supplemental allotments was provided in a special small business hardship account. This special panel and account was established for the second quarter because it was discovered that the allotments for the first quarter of 1952 to producers of civilian-type items caused some individual firms which were producing these items "undue hardship peculiar to their size, the nature of their product line and their production flexibility." To qualify for an additional allotment under this program, the applicant must be a "small firm" as that phrase is defined in the Department of Commerce "size study." Firms meeting this definition do not qualify if they are affiliates of large corporation groups. Applications of firms applying for additional allotments under this program are analyzed by the appropriate NPA Industry Division which then recommends appropriate additional allotments to the panel. The panel has the authority to review and reduce the proposed allotments. It is the function of the panel to certify additional allotments from the special account and to assure that the material in the special account is distributed equitably among all applicants. The panel consists of a representative from the Office of Civilian Requirements, the Office of Labor, the Small Defense Plant Corporation, and the Office of Small Business. The latter serves as chairman and has the authority to make decisions.

Controlled Materials Round-up.—Experience had shown that throughout an allotment quarter unforeseeable problems arise in the operation of CMP. In order to provide an adjustment reserve in NPA of sufficient size to meet these needs, the Director of the Program Coordination Division proposed and the Assistant Administrators of NPA adopted a plan for a return of controlled materials which were in excess of the requirements of Industry Divisions. In effect, the plan required each NPA Industry Division to return to the NPA reserve the surplus of controlled materials allotted to it for the first quarter after deducting the amount in the Division's balance that the Division would need to meet supplemental applications and the correction of inequities. For the second and future quarters the policy was established that on the first day of the first month of the quarter and again on the second month of the quarter each Division shall estimate its surplus balance of materials after making allowances for requirements for supplemental applications and the corrections of inequities, and shall return that surplus to the NPA reserve. The objective of this policy is to provide a reserve "for redistribution to those Divisions encountering serious problems because of insufficiency of materials or to provide increases in allotment levels of end items."

Committee on Future DPA-NPA Policy with Respect to Materials Controls.—In February 1952, a joint DPA-NPA committee was named for the purpose of developing an appropriate control policy in the light of current conditions and the progress thus far made toward carrying out the Defense Production Program.

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AGENCY,
Washington 25, April 3, 1952.

Mr. VICTOR P. DALMAS,
Executive Director, Select Committee on Small Business,
House of Representatives, Washington 25, D. C.

DEAR MR. DALMAS: Reference is made to your letter of March 20, 1952, requesting that you be furnished with specified historical information concerning the number of hardship assistance applications which were received from small businesses who desired additional controlled materials. You also requested an explanation of the functioning and accomplishments of the Small Business Hardship Review Panel.

Since it is the objective of National Production Authority to see that the direct defense and defense supporting requirements receive first claim on materials, supplemental applications from manufacturers must be measured in terms of the relative urgency of the intended end use of the product and its essentiality in the economy. Also, it is the policy of NPA to evaluate requirements on the basis of hardship allegations which may result from low level of material allocation or call for base period adjustments resulting from new investments, interruption to business, higher material use ratio and seasonality of the product. Essentiality is measured against standards which embrace national defense, civilian defense, public health and safety and the civilian economy.

Naturally, in those areas where, of necessity, the material level of allocation was lowest, there is a vacuum and any manufacturer who could obtain all the material that he desired would have a customer demand for his product, but in all fairness to others in the industry and the relative competitive position of the firms, we must measure requirements against certain rather rigid standards and when relief is warranted in "hardship" situations, the effort is to relieve the degree of hardship and not knowingly make it possible for the manufacturer to improve his competitive position at the expense of others in the industry.

Obviously, therefore, the processing of supplemental applications serves to meet individual requirements after mathematical formulae have been used in the first instance to make prompt distribution of large masses of material. Within the supplemental applications, the determination of hardship cases becomes a matter of criteria and judgment. The figures which are shown in response to your questions numbered 1 and 2 represent those which have been regarded by NPA as the type of hardship cases in which you are interested.

The answers to your numbered questions are contained in the following similarly numbered paragraphs.

1. What is the number of applications for hardship assistance from small businesses which has been received by NPA during the fourth quarter, 1951 and first quarter, 1952?

1. Approximate number of supplemental applications from small businesses representing many forms of situations, such as base period adjustment, balancing materials under substitution programs, and production hardship resulting from low allotments.

Fourth Quarter	2,248
First Quarter	2,246

2. How many of the applications in each quarter have been acted upon favorably? unfavorably?

2. (a) Number of supplementals processed favorably: Fourth quarter 1951, 1,439; first quarter 1952, 1,954.

(b) Number of supplementals withdrawn by applicant, rejected because of ineligibility or denied because of lateness of filing and material had been exhausted: Fourth quarter 1951, 809; first quarter 1952, 292.

3. How many applications for hardship assistance are presently under consideration?

3. Through March 13, 1952, a total of 2,980 second quarter 1952, supplemental applications had been received by the Washington and Field Offices of NPA, of which only 1,341 were classified as hardship claims from small businesses. Through the close of business on March 21, 1952, a total of 241 hardship applications had been evaluated, determined to meet the specific criteria established for assistance under the Small Business Hardship Program and granted allotments of material through action of the Small Business Hardship Review Panel. The remaining supplemental applications are being processed either under the provisions of other regulations, withdrawn by the applicant, or rejected because they did not qualify for relief under any existing criteria. Additional cases under the Hardship Account are expected during the next few weeks.

4. How large a staff devotes full time to the processing of hardship applications?

4. The staff of the Office of Small Business regards the Small Business Hardship Program as its most important activity at this time. One senior member of our staff has been given full responsibility to see that all hardship applications are processed for presentation to the Panel. In addition, three other senior members of the staff assume responsibility for processing the cases arising within their respective areas of jurisdiction in which they work closely with specified industry divisions. The total required clerical, statistical, and typing work is performed by a staff of six (6) employees. As the workload for processing second quarter supplementals decreases in volume, the senior staff members will resume their normal activities. During the period of relatively low activity which is expected before supplementals for third quarter are to be processed, the statistical and clerical staff will analyze the results of the second quarter hardship allotments and correlate these data, with a concurrent study by the Office of Small Business of all firms which received low allotments to develop a basis for consideration of future allotment policy.

It should be noted that part of the analytical staffs of all industry divisions and of Department of Commerce, NPA field offices devote portions of their time

to reviewing hardship applications in connection with past records and new data submitted by the applicant. Each Division and field office, in addition to processing supplemental applications under other regulations for providing individual assistance, makes recommendations to the Panel as to the portion of supplementary material requested by each applicant which will be necessary to aid him in attaining minimum operations.

5. What is the average amount of time required for processing a hardship application from the time it is received in the Washington office until the final decision is made?

5. The amount of time required for processing a case under the Small Business Hardship Account, from the time it is received by the Office of Small Business in Washington until final action is taken, is approximately one week. The Panel will normally meet once a week at which time it will act upon all cases received since the cut-off date for the previous meeting.

6. Who makes the final decision as to the approval or disapproval of a hardship application? What part do the industry divisions take in this determination?

6. The Chairman of the Small Business Hardship Review Panel (the Assistant Administrator of NPA for Small Business) makes the final decision as to the granting of supplemental hardship allotments after careful review and recommendation by the Panel. The Chairman authorizes and orders the transfer of allotted materials from the Small Business Hardship Account to the industry divisions and delegated field offices for issuance to the firms concerned. As stated before, the industry divisions and field offices make recommendations of tentative allotments to applicants under the Small Business Hardship Account. When relief is granted under other NPA provisions, the industry divisions and field offices make final determinations.

7. What amounts of controlled materials have been set aside in the "small business hardship account" for the 2nd quarter, 1952?

7. The quantities of controlled materials initially set aside for the Small Business Hardship Account for the second quarter of 1952 are listed below:

Material	*Initial allotment*
Carbon Steel (tons)	54, 437
Plate (tons)	5, 510
Structural Steel (tons)	1, 799
Alloy Steel (tons)	4, 414
Stainless Steel (pounds)	931, 400
Copper Brass Mill (pounds)	1, 917, 000
Copper Wire Mill (pounds)	628, 800
Copper Foundry (pounds)	924, 300
Aluminum	1, 526, 000

At the time this Account was established, Mr. Fowler stated that additional materials would be forthcoming to the Account to meet its requirements in full. The amount of material in the Account has been more than adequate in all items excepting aluminum to which has been added 1,280,000 pounds. If more material is required, it will be added.

8. Who makes the decision as to the size of this special reserve?

8. The size of the special reserve for the Small Business Hardship Account was determined jointly by the Administrator of NPA and the Assistant Administrators.

9. Do all claimants contribute a portion of their allotted materials to the account? If so, on what bases are these contributions determined?

9. The Small Business Hardship Account was established in the following manner. Each NPA industry division having consumer-type items under its jurisdiction contributed to the account one-half of one per cent of its total second quarter allotment of all controlled materials. All other NPA industry divisions contributed one-fourth of one per cent. In addition, fifteen per cent of the material in the NPA general reserve was made available to the Account. Claimant agencies outside NPA do not contribute to the Account.

If this office may be of further assistance to you in this or any other case, please do not hesitate to write to us.

Sincerely yours,

J. L. KELLY,
Assistant Administrator, NPA, for Small Business.

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, April 17, 1952.

Mr. VICTOR P. DALMAS,
Executive Director, Select Committee on Small Business,
House of Representatives, Washington 25, D. C.

DEAR MR. DALMAS: In accordance with the request from Mrs. Curtis, of your staff, the following information is submitted to supplement my report of April 3, 1952, concerning the accomplishments of the Small Business Hardship Review Panel, to report the accomplishments through March 31, 1952.

Through March 31, 1952, a total of 4,775 second quarter 1952 supplemental applications had been received by the Washington and field offices of National Production Authority, of which only 2,149 were classified as hardship claims from small business. Through the close of business on March 31, 1952, a total of 355 hardship applications had been determined to meet the specific criteria established for assistance under the Small Business Hardship Program and granted allotments of material through action of the Small Business Hardship Review Panel The remaining supplemental applications were processed either under the provisions of other regulations, withdrawn by the applicant or rejected because they did not qualify for relief under existing criteria.

In my previous letter, we indicated the quantities of controlled materials which had been set aside for the Small Business Hardship Account for the second quarter of 1952. Listed below, by categories, is the total of controlled materials which has been required to meet the needs of the Small Business Hardship Program through March 31, 1952.

Material requirements through Mar. 31, 1952

Carbon Steel (tons)	5,477
Plate (tons)	0
Structural Steel (tons)	0
Alloy Steel (tons)	70
Stainless Steel (pounds)	36,841
Copper Brass Mill (pounds)	1,544,828
Copper Wire Mill (pounds)	81,142
Copper Foundry (pounds)	91,535
Aluminum (pounds)	3,213,818

If this office may be of any further assistance to you in this or any other case, please do not hesitate to write to us.

Sincerely yours,

J. L. KELLY,
Assistant Administrator, NPA for Small Business.

(The following statements for inclusion in the record were submitted by persons not appearing before the committee:)

STATEMENT BY EDWARD P. MORGAN, DIRECTOR OF ENFORCEMENT, OFFICE OF PRICE STABILIZATION

OFFICE OF PRICE STABILIZATION,
Washington 25, D. C., March 12, 1952.

Hon. CLARENCE G. BURTON,
House of Representatives, Washington, D. C.

DEAR MR. BURTON: This will acknowledge receipt of your letter of March 4, 1952, in which you request that, in connection with hearings now being held by Subcommittee No. 3 of the Select Committee on Small Business, you be furnished with a summary statement of our general policies of compliance and enforcement together with some evaluation of our achievements.

I am pleased to enclose herewith a statement which I trust will serve your purposes. It was assumed in the preparation of this statement that you would not be interested in detailed statistics relating to the number of investigations conducted, actions instituted, etc. If, however, you desire information of this kind or if, in any other respect, you desire an amplification of this statement, I shall be glad to comply with any such request as soon as possible.

Sincerely,

EDWARD P. MORGAN,
Director of Enforcement.

Enclosure.

ENFORCEMENT

The organization of an enforcement arm for the Office of Price Stabilization and the formulation and execution of policy presented problems unparalleled in the history of law enforcement in this country, surpassing in difficulty the OPA problems during World War II. A wide variety of considerations had to be kept in mind.

The nature of the problem

Perhaps the most obvious factor is the very size of the problem. Any price-stabilization program in this country must, directly and intimately, affect the details of operation of well over 10 million different business enterprises, including farmers at all levels of production and distribution, dealing in millions of different items. To establish ceiling prices for all such sellers and items, hundreds of price regulations and orders have had to be and will have to be issued, each one of which must be treated, for enforcement purposes, as a separate law, frequently quite different from all others.

These regulations would have to be not only complex, if they are to be equitable and cause a minimum of dislocation of existing business practices; but they would also suddenly make contrary to public interest, and thus illegal, business practices which ordinarily are legitimate and economically sound.

The fact that the supply situation is not today as critical as it would be in an all-out war period makes the enforcement task more, rather than less, difficult, than it would appear to be. Curtailment of the production or sale of any consumer-goods items has not yet seriously affected markets. During the last war, for example, when new automobiles were not generally available for civilian purchase, there was no real problem in enforcing price controls on the sale of new automobiles.

Moreover, the appeal to patriotism for voluntary compliance lacks the fervor in the present "cold war" atmosphere that it held during World War II. That at present the inflationary trend is, so to speak, temporarily obscured, rather than acute and dramatic, also tends to diminish public awareness of the problem, the need for a price-stabilization program and the importance of voluntary compliance, if only as a matter of self-interest.

Under these circumstances, it became vital, not only that our program be accepted as important but that the public be convinced that it was being fairly administered. Fair administration goes much beyond merely writing a regulation which is fair and equitable; for a regulation which is not properly enforced is just as inequitable as one which is unfairly written. Unfairness of a regulation may readily be detected and remedied; unfairness in its enforcement, however, is not so readily detected. Equally important, if the enforcement job is not done quickly, the snowballing of violations which occurs when some violations go unchecked may cause the whole problem to get out of hand. Honest businessmen will be subjected to competitive disadvantage at the hands of their dishonest competitors; one geographical area may be discriminated against by permitting, through lax enforcement action in other areas, the diversion of scarce items to other areas. Also, the general disrespect for one of our regulations would engender disrespect for all other regulations.

While we will, of course, deal with the black marketeers—the willful and flagrant violators—and deal with them severely and promptly, we realize that we will not have done an effective job unless we recognize also that less flagrant violations are just as inflationary in actual effect. It will not be enough simply to clean up black markets; for neglecting even the so-called nonwillful violations will inevitably and quickly create more black markets.

The state of compliance cannot be evaluated and inflationary trouble spots detected in any area simply by reference to complaints of violations received. The average American consumer dislikes being an "informer"; but he must be protected against dishonest tradesmen. The average American businessman is loathe to report a possible violation by one of his suppliers, if only for fear of losing his source of supply; we must nevertheless protect him and protect him quickly before his excessive costs force him also into violations.

We therefore cannot wait for the receipt of complaints before taking action; we must adopt something of a "surveillance" approach to our job. Whenever we have some reason to believe that violations exist in a particular industry or area, we undertake to spotcheck that industry or that area on our own initiative. Such checking must be done with a minimum of inconvenience to the businessman; the average honest businessman will appreciate that such activity is not governmental "snooping" but that it is to his own best interests.

In determining when where and how enforcement activity is to be undertaken, the enforcement arm must, for reasons of efficiency, possess a considerable degree of autonomy, although it is an integral part of the whole price stabilization program. OPS is not interested in building a record of violations but only in effecting price stabilization with a minimum of inconvenience to business and to the consuming public. When, for example, price pressures which a number of retailers may be suffering and which may be forcing them toward violations, may be attributable to overcharges by their wholesaler, enforcement activity will be directed primarily against that wholesaler and only secondarily against the retailers.

Because of the vastness and complexity of this enforcement task a staff of investigators cannot be large enough to look into all possible violations.

Primary reliance must rest upon the voluntary cooperation of the public, the consumer as well as the businessman. It is assumed that the vast majority of American businessmen will comply voluntarily, if only as a matter of self-interest. Such voluntary compliance, however, would be short-lived if those who refused so to comply were not promptly brought into compliance by appropriate enforcement action. Thus, the objective of the enforcement arm of OPS is, essentially, the protection of the great majority of American businessmen, who presumably will voluntarily comply, against the economic disadvantage they would suffer at the hands of such of their competitors or suppliers as will not so comply. The further assumption that such a minority of noncompliers will exist is, of course, the primary reason for the existence of the Office of Enforcement.

Development of operations

The operations to date of the Office of Enforcement might broadly be divided into three phases. The first was the task of recruiting personnel. This was a formidable task; because we were keenly aware that such an investigative and law-enforcement body, touching so intimately upon the affairs of virtually every business in the country, was one which had to be not only technically competent but also one which would command the confidence of the whole American community. As of the date of this report, virtually all of the 89 OPS district offices have been staffed with enforcement personnel who we believe satisfy these requirements. The total of all OPS enforcement personnel on duty throughout the country as of December 31, 1951, was 2,602 of whom 498 are attorneys, 1,375 investigators and 729 clerical workers.

The second phase of enforcement activity, covering the first few months of our operation, was characterized by the general recognition that reasonable opportunity had to be afforded to the business community to familiarize itself with our regulations and that, during that time, many violations could be attributable to honest ignorance and thus did not warrant the imposition of punitive sanctions. Much of our time and effort was necessarily devoted to the continuing task of staffing and training. At the same time, investigations were made of many thousands of businesses. These investigations were intended primarily to determine whether compliance had been effected and to assist, so far as feasible, all businessmen in understanding their obligations and in making the necessary adjustments of their records and pricing techniques. During this period, however, court actions were nevertheless instituted against many business people who indicated an unwillingness to comply, despite fair warning and offers of our assistance in effecting compliance. In addition, thousands of admonitory letters were sent to violators and thousands of conferences were held in our various offices in an attempt, usually successful, to bring into compliance persons who had unwittingly violated our regulations. Activity of this kind covered a wide variety of different commodity fields (foods, apparel, household equipment, automobiles, services, etc.).

The delay in extending the Defense Production Act of 1950 weakened voluntary compliance and rendered the enforcement task more difficult. On the other hand, the wide publicity thus given to the price stabilization program during that period did provide a springboard for vigorous renewal of enforcement activities upon the extension of the act.

Thereupon, we entered upon what may be described as the third and present phase of our program, one of more comprehensive and intensified activity characterized by the freer application of the formal, punitive sanctions provided by the act. The price stabilization program, in the Agency's judgment, had been in operation long enough and had been sufficiently publicized to justify (except in really unusual situations) the assumption that a violation of most of our regulations might fairly be attributable, if not to willful disregard of the law, then at

least to failure to take such practicable precautions as should have been taken by any businessman disposed to comply.

Current status

Intensified investigative and enforcement activity has begun to bring significant results and in a wide variety of commodity areas (for example, foods, household equipment, lumber, metals and machinery, services, automotive) in which the need for compliance seemed most important. Over a thousand cases have been referred to the Department of Justice for appropriate civil or criminal proceedings. Many have already been brough to successful conclusion. In many cases, compliance has been effected by settlement of the government's treble damage claim against violators. In other cases, particularly where the violations were not flagrant, compliance has been effected by requiring the restitution of overcharges to purchasers. Thousands of investigations now in progress should shortly result in the imposition of many more sanctions of this kind.

Cases are referred for criminal proceedings where a violation was committed willfully, even though the amount of the overcharge involved may not be very considerable. The Defense Production Act prescribes for such violations a penalty of a fine of not more than $10,000 or 1 year imprisonment or both. In appropriate cases the government may sue a violator for treble damages. The value of this sanction has been greatly enhanced by the removal, in the 1951 amendments to the act, of the former provision which limited the total recovery in such matters to the amount of overcharge plus $10,000.

The act requires that all litigation arising thereunder shall be under the supervision and control of the Attorney General.

The Department of Justice desires to review completed investigations in Washington. In order to expedite the flow of reports of investigation from the district offices to the enforcement staff in the national office for final OPS review and referral to Department of Justice it was considered essential that there exist no intervening regional enforcement office. However, in recognition of the general responsibility of the various Regional Directors for the effective operation of the stabilization program, a Regional Enforcement Director, reporting directly to the National Director of Enforcement, has been assigned to each regional office. His primary function is to keep the Regional Director fully acquainted with pending and contemplated enforcement activity and to receive the Director's recommendations for enforcement activity.

Another compelling reason for the elimination of a regional enforcement office is our conviction that enforcement policy and activity must be as uniform as possible throughout the Nation. Objectivity and uniformity are the heart of honest law enforcement in all fields; they are especially important in a field of this kind where public support and confidence are unusually essential. A direct line of communication between the National Office of Enforcement and its operating field offices is best calculated to achieve those ends.

We have been extremely conscious of the need for constant guidance by and instruction from the national enforcement office to the various field offices. Instructional memoranda have been prepared and sent to such offices on a wide variety of subjects of both a substantive and procedural nature. To date, about 130 such memoranda have been distributed. Among the more significant of those items are the Manual for Special Agent-Attorneys, a booklet which covers comprehensively many legal problems anticipated in connection with our enforcement activity, as well as a Manual for Special Agent-Investigators, a pamphlet covering matters which might be relevant in the conduct of effective investigations. All such material undergoes constant reexamination and revision in the light of continuing experience.

A series of training courses has been held under the supervision of the National Enforcement Office. In these conferences, field operating personnel, both attorneys and special agent-investigators, have received uniform instruction and the opportunity to communicate their problems to National Office personnel. This kind of supervisory activity is contemplated as a continually recurring one.

To help achieve efficiency in operation, as well as maximum uniformity of operation, qualified inspectors periodically inspect each of the 89 operating offices. This inspection covers not only investigations and processing of particular cases but also such administrative matters as correspondence control, statistical reporting, and similar matters.

The price stabilization agency is but one of many different government agencies participating in the over-all defense production effort and effective liaison has been established between OPS enforcement personnel and appropriate units in the

National Production Authority, Wage Stabilization Board, Federal Trade Commission, Department of Agriculture, Office of International Trade, Federal Bureau of Investigation and other agencies. Information and suggestions exchanged between OPS enforcement personnel and the enforcement and other units of such agencies have been mutually helpful.

Meat enforcement program

Illustrative of how comprehensive enforcement activity has been undertaken in particular commodity areas and, to some degree, illustrative of the results so achieved, is the enforcement program in the vital area of meat. The Office of Enforcement has always recognized that its investigative and enforcement activity would have to be selective in the sense that its limited personnel could most profitably concentrate upon the more strategic points in channels of distribution. Thus, while violations at the retail level cannot be overlooked, it is apparent that obtaining compliance at lower levels of distribution is strategically more profitable. To a large extent, obtaining voluntary compliance by retailers consists of attempting to minimize pressures upon them in the form of excessive charges by their suppliers.

These considerations dictated the operation of the meat enforcement program. In August, for a number of reasons, among them the elimination by Congress of the slaughtering quota program, a sharp rise in the prices of live cattle occurred. That such a rise would quickly reflect itself in price increases for wholesale and ultimately retail cuts was apparent; and actual market conditions soon confirmed this. In September, after careful preparation by national-office personnel of a program of enforcement directed toward obtaining maximum compliance with CPR–23, which imposes certain restrictions on the prices which slaughterers may pay for live cattle, detailed instructions were sent to all district offices for the investigation of all slaughtering establishments within their respective areas. These instructions provided not only suggested investigative techniques but also information about particular establishments or areas which seemed to deserve priority of investigation. (For example, newcomers to the industry suspected of having entered the field for the sole purpose of taking advantage of the current supply situation and other establishments whose previous records on investigation indicated the possibility of violation.) Consultation and cooperation with other Government agencies, Federal and local, was very helpful in the planning for and execution of this drive.

To the date of the writing of this report, investigations of 5,596 slaughtering plants had been conducted by approximately 1,100 enforcement agents. Of these investigated, 2,321 were found to be in violation of one or more requirements of the applicable regulations. The nature of the violations disclosed by these investigations was of a wide variety. In addition to the more obvious overceiling transactions, actually recorded on the books of the subjects, many of the more elusive violative devices like short weight, tie-in sales, false grading, etc. were also uncovered. Three hundred and thirty-seven criminal and injunction proceedings have been instituted. One hundred and ninety-nine of such injunction ceedings have already been successfully concluded. This data is limited to this one enforcement drive. It does not purport to reflect all activity in this field. Somewhat in the nature of a byproduct result were widespread investigations of violations at the wholesale meat level. These already have resulted in the institution of about 50 court actions, with many more in prospect.

An examination of the index of cattle prices for the 13 weeks following the start of this activity provides graphic illustration of the effect of this drive at the slaughtering level. Whereas the prices paid for cattle in all grades in all of the major markets increased steadily from the end of July to the week before the start of the drive, after only 2 weeks of such activity there were significant drops in prices. And at the end of the thirteenth week prices for all grades were well within compliance levels. In many areas, local packers, who had previously been in hopeless competition for live cattle with newcomers to their markets, were able to purchase cattle in compliance with CPR–23 for the first time in 2 months.

Enforcement in other fields

That similar results have been achieved in other areas and at other levels of distribution may be illustrated by the enforcement program directed to obtaining compliance with Ceiling Price Regulation 7, the basic retail regulation covering most retailers (approximately 300,000) of nonfood items. Investigations of approximately 35,000 establishments and the institution to date of 150 court actions have resulted in a remarkably high degree of compliance in this area.

Widespread price surveillance activity in the metals, lumber, chemicals, and other fields peculiarly important to the defense production effort and the institution of court proceedings in many cases of violation, with more in prospect, have had a marked stabilizing effect on price levels in these areas.

The field of consumer services, such as laundries, repairs, etc., an important but unusually elusive one because of the relative smallness of the many hundreds of thousands of such establishments, has been given comprehensive treatment of a similar nature and with gratifying results.

In the areas in which market conditions, now apparently "soft," may be expected to become troublesome in the near future, the Office of Enforcement has recognized its responsibility by close cooperation in the drafting of additional regulations and by the preparation and issuance of appropriate instructions to the field enforcement personnel. Anticipation of our problems, a first major step toward their solution, has been and will always be of major concern to us.

STATEMENT BY JOHN PECKHAM, DIRECTOR, COMPLIANCE DIVISION, NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, March 14, 1952.

The Honorable CLARENCE G. BURTON,
Chairman, Subcommittee No. 3, Select Committee on Small Business,
House of Representatives, Washington 25, D. C.

DEAR MR. BURTON: In accordance with your request we are transmitting twenty-five copies of a written statement covering general policies and other information regarding Controlled Materials Plan compliance and enforcement for inclusion in the record of hearings of your Committee.

Respectfully yours,

JOHN PECKHAM,
Director, Compliance Division.

STATEMENT OF JOHN PECKHAM, DIRECTOR, COMPLIANCE DIVISION NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE TO SUBCOMMITTEE NO. 3 OF THE HOUSE SMALL BUSINESS COMMITTEE MARCH 14, 1952

This statement is made in response to your Chairman's letter of March 3, 1952, requesting a written statement for inclusion in the record covering general policies of compliance and enforcement, warehouse difficulties (if any), problems arising from CMP tickets uncashed, and any special problems of compliance and enforcement, particularly with respect to premium price markets, duplicate orders, excessive inventories, cooperation between NPA and OPS, and an evaluation of achievements.

As you recall, I had the honor of submitting a statement to your Committee on August 16, 1951, and in addition thereto a statement was furnished on that date by Mr. Robert H. Winn, Assistant General Counsel of NPA in charge of compliance and enforcement activities. Again on October 18, 1951, I had the opportunity of offering oral testimony to your Committee on compliance. I consider it an honor to again have an opportunity to furnish you information concerning our activities.

The Controlled Materials Plan was initiated on July 1, 1951. Even prior to this time, the Compliance Division of NPA was preparing its plans for obtaining compliance and enforcement of the proposed CMP regulations. In this connection, compliance and enforcement problems encountered under CMP by the War Production Board were studied to insure against repetition of the same errors, and a list of the major consumers of the controlled materials was compiled. A continuous examination of these companies was initiated immediately after the start of CMP, and it is believed that this has materially assisted in making CMP successful.

The general policies of compliance and enforcement are to obtain compliance with NPA regulations and orders through voluntary action on the part of companies involved, but if necessary through administrative or criminal action against the companies.

To date, little difficulty has been encountered with warehouse operators or distributors of controlled materials; consequently little investigation has been made of them.

During the transition period of CMP from the priority band or D. O. system in the third and fourth quarters of 1951 this office received numerous complaints from manufacturers to the effect that they were unable to place or cash CMP allotments. Since the first of this year this office has had very few complaints from business, either large or small, that they have been unable to place their orders. This is another indication that CMP is working effectively.

With reference to the premium price market, it has about disappeared with the ability of companies to cash their CMP tickets.

The problem of duplicate orders has always been one which gave us much concern. As a result, we have centered our investigative staff on this problem and believe that major steps have been taken to reduce this type of operation to a minimum.

The problem of excessive inventories has presented a major problem. On December 14, 1951, we undertook a national survey of approximately 2,500 concerns in an effort to ascertain the general effectiveness and practical applicability of the inventory control regulation; to gain a general idea as to the extent of compliance or noncompliance by industry; to obtain suggestions for the improvement or modification of the regulations; to create an atmosphere in which CMP consumers would take effective action to reduce their own inventories when necessary and to reduce allotments in those cases in which such action was warranted. This survey was discontinued on February 15, 1952, and the results and action to be taken are still under consideration. There is every indication that this survey has had a considerable effect in acquanting industry with NPA regulations and in turn has effected substantial compliance with inventory regulations.

At the present time, approximately 20 companies throughout the country are under special investigation with the intention of taking the necessary administrative or criminal action to bring about immediate compliance on their part. Additional investigation of other companies where there has been discovered an indication of possible noncompliance will be undertaken as personnel becomes available.

There has always existed the most cordial and cooperative attitude between the compliance officials of NPA and OPS. We are in constant liaison with OPS and will continue to furnish information which will be of mutual assistance.

An indication of the very close operations maintained between this office and the Office of Price Stabilization is exemplified by the fact that we have furnished that agency many instances of price violations which came to our attention through the investigation of cases involving alleged violations of NPA regulations. Moreover, only recently all of the field offices in the Department of Commerce, which are the operating units for the NPA Compliance Division, have met with regional representatives of the OPS and are currently working with them on various problems where we have concurrent interests.

Our relations with the OPS, both on the national and local basis, are genuine and continuing.

While it is true that certain NPA regulations and orders are or appear to be complex, every effort has been made to simplify them. One of the most difficult for industry to comply with is CMP Regulation 2, Inventory Control, and, as previously indicated, this regulation was made the subject of a special survey. It is anticipated that certain changes will probably be made to increase its effectiveness and to effect simplification. The Compliance Division constantly makes recommendations for changes in regulations as a result of information gathered through its investigations and surveys.

There have been several cases of wilful noncompliance which have been forwarded to the Justice Department for criminal action. Many other cases have been presented to NPA Compliance Commissioners where the subject is afforded an opportunity to present his case, and if he is not satisfied with the decision of the Commissioner, he has recourse to the courts. As a general rule, we endeavor, of course, to obtain compliance through voluntary action on the part of industry. However, it is felt that regulations have been in existence for a sufficient period of time so that all of industry should be acquainted with their existence and consequently it is safe to say that the emphasis is now shifting from an educational program to that of enforcement.

You will note from my testimony before your Committee on October 18, 1951, that we are woefully understaffed. At present we have approximately 230 investigators and 15 enforcement attorneys in the field. Nevertheless, because of an aggressive policy on the part of Compliance and Enforcement, it is felt that in general the Controlled Materials Plan has been made to work effectively and has materially assisted small-business concerns to remain in business.

During the past 8 months, thousands of large and small users of controlled materials have been checked to ascertain if they have been complying with NPA regulations. As a whole, industry has been most cooperative with NPA and has shown a disposition to voluntarily comply with our regulations. Many cases of noncompliance have been discovered but a comparatively few could be considered sufficiently significant or willful to warrant enforcement action. However, in a number of cases, and in others that are pending, necessary administrative or criminal action has been undertaken. In general, it is believed that through our vigorous compliance and enforcement action, together with our constant and continual audit of the large consumers of controlled materials, we have to a considerable degree caused industry to comply with regulations resulting in an equitable distribution of materials which has had its beneficial effect on small business and also contributed to the preparedness program.

I have tried to set forth in cursory form the information you requested, but if there are any additional facts or details that you might desire I shall be glad to furnish such information promptly.

STATEMENT OF ALVIN MAYNE, DEPUTY ASSISTANT ADMINISTRATOR FOR OFFICE OF PRODUCTION ANALYSIS, NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

I am submitting statistics on estimated increases in supply or of capacity of pig iron, steel ingot, aluminum, and copper for the periods 1950 to 1954.

In connection with the copper and aluminum statistics, it is necessary that care be used in relating these figures to statistics from other sources since these metals come onto the market in many forms. The copper statistics in the accompanying table refer to new supply of refined copper which is derived from new domestic mine production and imported ores and concentrates after refining, imports of refined copper and refined old scrap. The metal weight of refined copper does not include the new scrap which is generated by the processors and does not include the weight of alloys such as zinc.

In the case of aluminum, new scrap supplies generated by the processors have not been included and the total new supply includes primary aluminum, secondary, and imports. Since expansion is taking place principally in primary aluminum separate figures are given for primary aluminum supplies.

Estimated supplies of refined copper

[Thousands of short tons]

	Domestic mine	Recovery from old scrap	Imports	Total
1950	909	485	650	2,044
1951	929	496	489	1,914
1952	990	460	500	1,950
1953	999	450	550	1,999
1954	1,068	450	600	2,118

Source: National Production Authority, Office of Production Analysis.

Estimated supplies of aluminum, 1950–54

[Thousands of short tons]

	Total new supply	United States primary aluminum	Secondary and imports
1950	1,221	719	502
1951	1,277	837	440
1952	1,409	1,032	377
1953	1,820	1,392	428
1954	2,028	1,515	513

Source: National Production Authority, Office of Production Analysis.

Pig iron and steel ingot capacity, 1950–54

[Short tons]

Date	Pig-iron capacity	Steel ingot capacity
Jan. 1, 1950	70, 389, 000	99, 392, 000
Jan. 1, 1951	70, 389, 240	104, 229, 650
Jan. 1, 1952	72, 700, 940	108, 587, 670
Jan. 1, 1953	79, 354, 610	119, 086, 376
Jan. 1, 1954	81, 808, 550	123, 108, 376

Source: National Production Authority, Iron and Steel Division.

STATEMENT OF WENDELL E. BUTLER, PRESIDENT, ALLIED FARM EQUIPMENT MANUFACTURERS ASSOCIATION

WATERLOO, IOWA, *March 4, 1952.*

Mr. VICTOR P. DALMAS,
Executive Director, House Select Committee on Small Business,
House Office Building, Washington 25, D. C.

DEAR DALMAS: Attached is my statement for the hearing record based upon the survey of our membership, which we have just taken, on the operation of small farm equipment manufacturers under Controlled Material Plan.

I hope this gives you the information you desire, and that the conclusions I have drawn are clear and pertinent.

If I can be of any further help, please let me know.

Kind personal regards.

Very truly yours,

ALLIED FARM EQUIPMENT MANUFACTURERS ASS'N.,
WENDELL E. BUTLER,
President.

Enc.—Statement.

STATEMENT OF EXPERIENCE OF SMALL FARM EQUIPMENT MANUFACTURERS OPERATING UNDER THE CONTROLLED MATERIALS PLAN AND CONDITIONS FACING THE SMALL FARM EQUIPMENT MANUFACTURER TODAY

Prepared for the House Select Committee on Small Business by Wendell E. Butler, president, Allied Farm Equipment Manufacturers Association

Gentlemen, the small farm equipment manufacturer is probably more confused today than at any time in his history. A few weeks ago he was confronted with the very real threat of an extreme steel shortage and did, in fact, face virtual shut-down and perhaps bankruptcy because of his inability to secure material for his products from legitimate sources of supply. The only apparent relief to him for some time, as you will remember, was equally disastrous because it meant purchasing materials at extreme premium prices from the black or gray market. He looked forward with hope to the perfection of the operation of Controlled Materials Plan, but of course during its early stages of operation experienced a great deal of difficulty in placing orders for steel to the extent of the allotments made to him by NPA.

Now quite suddenly the extreme shortage of steel seems to have vanished, and the feeling that steel will very quickly or is already quite plentiful becomes more and more prevalent. At the same time, demand for his products has temporarily decreased, quite largely as a result of weather conditions and crop conditions of last fall, as well as the normal occurrence of the low point in the sales figure for farm equipment during the months of December and January. He faces the future, however, with confusion because of an expected rather heavy demand for farm implements as soon as spring work on the farm can begin, and there are many factors such as the recent livening of implement sales at retail levels and the United States Department of Agriculture food and fiber goals of the coming year to support this expectation. Coupled with this, there is the continuing threat of further complications caused by a new national emergency which would produce a major step up in the defense production program, and thus again create serious material shortage.

In an effort to keep his business on an even keel, therefore, the small independent farm equipment manufacturer now is faced with the necessity for having the

optimism and enthusiasm of a sales manager, the ingenuity and long-range view of a production manager, the conservativeness of an attorney, and a broader view and knowledge of world economic affairs than is even possessed by top statesmen who themselves cannot seem to accurately forecast change in world event. In other words, he must not only try to run his own business, but in addition try to out-plan and out-guess national and world planners.

From this state of confusion it is a little difficult for us to give you a clearcut picture of present-day operations under CMP, but based upon a survey of our membership taken within the last 5 days, we offer you the following conclusions regarding our experiences and our conditions.

1. Approximately 50 percent of the small manufacturers surveyd were unable to place with legitimate supplier their entire fourth quarter allotments of steel and other controlled materials. The amounts of allotments remaining unplaced at the end of the fourth quarter ranged from 10 percent to 55 percent, with an average of about 25 percent. In almost all cases, the material was apparently needed and could have been used by the manufacturer had he been able to place orders for it.

2. Ten percent of our members surveyed were still forced to use the black and gray market as a source of supply for materials during the fourth quarter. Premium prices paid for the black market ranged from 20 percent above normal market price to double market price. It is our feeling that ceiling price Regulation No. 98 as issued by the Office of Price Stabilization, quite largely on the suggestion of our association and through the insistence and help of your committee, has done a great deal to control the black and gray market. Prices asked by those calling themselves steel brokers have dropped considerably until at the present time they are not too far above normal warehouse price, although in most instances they are still above the legitimate warehouse price, and in some cases, even above what we interpret to be the ceiling price as calculated under the formula set up by CPR 98. Such possible violations of the order are, of course, being reported to Office of Price Stabilization as discovered. Unquestionably, of course, the change of balance between available supply and demand for steel has likewise had a very definite effect on the price of steel from such sources.

3. Approximately 25 percent of our members are still reporting extreme difficulty in placing orders for the first quarter of 1952. Those reporting difficulty seem to be unable to place between 35 percent and 50 percent of their first quarter allotment even at this time when the first quarter is two-thirds gone. Undoubtedly, much of this difficulty arises from the old problem we have mentioned to you before, of the fact that many of our members are new small manufacturers having little or no mill buying history and, therefore, are still experiencing, in spite of the apparently increased supply of steel, a great deal of difficulty in becoming accepted as mill customers.

4. The types of material which seem to be most difficult to procure, as you might well guess, are galvanized steel sheets, aluminum sheet, cold rolled shafting, alloy steel and brass.

In addition to these factual conclusions drawn from the survey, I thought you would be interested in having an expression of opinion from our members as to whether they felt CMP controls were any longer necessary and would serve any purpose in the near future. In response to this query, a little over one-third of our members said they thought CMP and other Government controls were no longer necessary and should be removed immediately.

I admire their backbone as redblooded Americans, but because of present-day conditions as well as the rather substantial and sound reasons given by the remaining almost two-thirds of our members, whose opinion it was that CMP was quite definitely still necessary for a little time yet, we feel that we must go on record with you today as an association saying that the Controlled Materials Plan has apparently just started to function somewhat equitably, and, in spite of the confusion of the moment, we feel it still necessary for at least a short time yet to insure equitable distribution of vital materials.

Those who recommended that controls be removed, I am sure, did so quite largely from the standpoint of wanting to rid their individual businesses of the time-consuming and seemingly needless red tape of filling out many forms and making many reports. With this all individual businessmen must agree, and we all look forward with hope to a time in the very near future when this very heavy burden can be removed from us, together with the rather obvious resulting reduction in certain Government bureaus, personnel, and expenses, thus resulting in a saving to the taxpayer. Being ever mindful, however, of the uncertainty of

world events, and not yet being fully convinced of the balance between supply and demand, we recommend that controls and the Controlled Materials Plan be continued at least temporarily.

We do recommend very definitely, however, that a great saving to many small manufacturers, as well as a saving of expense in personnel in Government offices, could quite easily and reasonably be effected immediately by increasing the amount of controlled materials which a manufacturer could consume on the self-certification basis if small manufacturers using 100 tons of steel per quarter or less were allowed to do so on self-certification of purchase orders without the burdensome task of making out CMP applications. Both the small manufacturer as well as the NPA would be saved a tremendous amount of work.

Under present conditions, many thousands of CMP applications flow into NPA offices each quarter, asking for very small amounts of material. Large numbers of personnel are required to go over these applications, and in many cases, not reducing them at all, and if reduction is, the accumulated saving is so small that it makes little or no difference in the over-all picture. It may very well be that after a short study of the size of applications now being processed by NPA for the third quarter of 1952 the exemption limit could quite reasonably be raised to as high as 200 tons per quarter in order to effectively reduce the needless red tape of CMP both for the manufacturers as well as for NPA.

We sincerely recommend to you that you take up immediately with NPA the idea of setting this self-certification limit substantially higher than it now is in order to reduce measurably the number of firms who must necessarily file CMP applications. We feel that conditions are such that this can reasonably be done immediately without any danger to the over-all operations of CMP and with no ill effects on the supply and demand situation.

We further recommend that while many items could well afford to be relieved from control by the Office of Price Stabilization, CPR 98 controlling the price of steel is still very essential to the Nation's economy and is doing absolutely no harm to the legitimate producers and sellers of steel and steel products.

We sincerely appreciate this opportunity to place before you these facts and suggestions regarding conditions in our segment of the industry at this time, and hope that this information will be helpful to you in forming an over-all picture that will guide you to act in the best interests of small business.

(Following are two articles from Implement and Tractor, publication of the Allied Farm Equipment Manufacturers' Association, submitted for the record.)

Reprint of an advertisement appearing in the Washington, D.C. Post, Friday, October 26, 1951

A Message in the Public Interest

Why Must We . . .

GAMBLE ON FOOD - AGAIN?

"AMERICA faces the grave danger of not reaching the food production goals for 1952 and 1953, instead of obtaining the increases required by wartime demands."

This statement, except that it has advanced the dates by nine years, was the introductory sentence of a report published Jan. 21, 1943, by an investigating committee of the United States Senate. The committee was headed by the then Senator Harry S. Truman and was commonly known as the Truman Committee.

Another excerpt from the same report, this one verbatim:

"In rejecting the recommendations for needed farm machinery made by the Department of Agriculture and the Farm Equipment and Machinery Branch of the War Production Board, the Office of Civilian Supply has gambled dangerously and unwisely with our nation's food supply. We cannot expect, as does the Office of Civilian Supply, that the variable factors of the farm labor supply, weather and crop conditions and the duration of the war will all work favorably for us".

One more verbatim statement: "Our unfortunate experience in 1940 and 1941 with shortages of machine tools for production on combat weapons should give us pause. We must not now artificially and by design create shortages of the machine tools required to produce the food weapons. In any event, we know that tremendous efforts were required to make up for them. However, this committee believes that it would be nothing short of criminal, in the light of past experience, to run into a similar pitfall, willfully and deliberately, with respect to the farmers' machine tools."

These statements neither gain nor lose emphasis by reproduction out of their original context. The entire report of 24 pages fairly bristled with criticism of the wartime food production program. It ended with the recommendation that a "new farm equipment program should be drafted with the views of those who have the responsibility for fo production in the forefront, and not thrust in the back dour, and that sufficient metal should be made available to produce the machinery and equipment which those charged with that responsibility deem essential to success in attaining the food goals we have set."

The conditions set forth in the Truman Committee report parallel those of the present in most respects, particularly with regard to the Washington official background. In those which differ, the odds are against the present. The doubts regarding favorable crop weather for 1943 proved unfounded, but during 1950 and 1951 Nature has shown indications of swinging into one of her inevitable unfavorable crop cycles. In 1943, food production was still exceeding consumption, which is not now the case, and annual carryovers were greater than now. Today's farm production problem also is greater from the facts that more people must be fed and clothed and that fewer persons must do the job.

The farm equipment industry in pressing for adequate materials for production is doing so in recognition of its share of responsibility to the national interest. To maintain farm equipment production, which involves 12-month planning ahead, it must have a sufficient continuity of material deliveries which in turn is the only assurance of adequate production.

Why must we gamble on food—again? A food crisis was narrowly averted in 1943. It was averted only because the Truman Committee report brought a critical farm equipment situation to the attention of the President of the United States and invoked his intervention. Can Washington profit from experience, or must the experiment be repeated?

Remember . . .

"Farm equipment means food—vital to peace and security."

A Message to National Policymakers and Steel Executives . . .

It takes 3 million tons of steel, approximately 3% of total steel output, to make enough farm equipment for all-out crop production to feed our growing population, the Armed Forces, friendly nations, and to build up our food and fiber reserves. It's essential that this industry receives enough steel so that America's patriotic farmers have the tools they need to do the job!

IMPLEMENT & TRACTOR

"The Business Paper of the Farm Equipment Industry"

KANSAS CITY, MISSOURI

Reprints of this message available upon request.

A Message in the Public Interest

YOU COULD GO HUNGRY!

Sounds fantastic doesn't it? But it can happen here. Yes, right here in the good old U.S.A. where a food shortage has never before been known. The truth is that one bad crop year and America could go hungry, because food surpluses are now a myth. What's more, farm production is threatened by a serious curtailment in the output of farm equipment.

If you're interested in eating regularly—and who isn't—you'll want to know more about this threat to the nation's welfare.

Here are the facts:

Our reserve supply of surplus foods is our best insurance against bad growing weather and lean crop years. But these reserves have dropped considerably since Korea. The carry-over supply of wheat, for example, is one-third of the annual amount needed to feed America. The corn carry-over amounts to only one-fifth. And the total stocks of dairy products, canned fruits, vegetables and other commodities, once stashed away in astronomical quantities by the government, are only half of what they were before Korea. The supply of cotton is only one-eighth of the annual requirement, reflecting the critical fiber situation. Bear in mind that these reserves are our bulwark against hunger and nakedness. They're vital in feeding and clothing our growing population, the armed forces and friendly nations.

The fact that food reserves are dropping is important because we have more mouths to feed than ever before in U.S. history. The population of this country has increased 20 million in the past ten years. It's growing at the rate of 2 million a year. A week from today 58,380 "new" Americans will demand food. What's more the world birth rate is such that there will be 60,000 more mouths to feed tomorrow morning.

But we're losing ground. Right now the U.S. is consuming food at a greater rate than farmers are producing it. The experts say we'll need more food and fiber next year than we will turn out this year if we are to meet civilian, military and international commitments.

To provide the food needed requires all-out production, according to the U.S. Department of Agriculture. With virtually the same amount of cropland, farmers must increase the yield per acre. But farmers can't do this job without the farm machines, fertilizers and pesticides needed. In a word, they need the tools! A recent survey by the USDA shows they need 15 per cent more farm equipment and 20 per cent more repair parts than were produced in 1949, when a near record volume was turned out.

Farm Equipment Means Food Farms not now mechanized must be converted to power farming. There must be adequate production of repair parts, farm supplies and new machines to replace those worn out on farms already mechanized. Approximately 1,500,000 workers left farms for city jobs in the past five years. There are 500,000 fewer farm laborers today than twelve months ago. The cruel fact is there aren't enough farm hands to give us all-out food production. The result is that farmers must depend on machines.

It's obvious that the key to stepped-up farm output is stepped-up production of farm equipment.

The farm machines that should be coming off assembly lines now are urgently needed for next year's tilling, planting and harvesting, but they aren't being made in sufficient quantities. Why? It's because manufacturers aren't receiving the steel and other critical materials needed to build them. What's more, the wholesale and retail inventories of farm implements are rapidly being depleted. Certain of the more important units have not yet caught up with the pent-up demand resulting from World War II. The facts are clear: it's in the best interest of this country to assure adequate production of farm equipment.

A recent survey of farm equipment manufacturers showed that over 80 per cent were not receiving the steel authorized under NPA's CMP program. The steel mills report they are booked to capacity with other certified orders. It's all too apparent that farm equipment is not receiving any better priority than many far less essential products. This critical shortage of basic materials is affecting all farm equipment manufacturers—large and small. The result is that production of farm implements is dropping when it should be going full blast to turn out the machines that mean food for millions!

Let's see to it that this industry's requirements receive the high priority to which they are entitled.

Remember . . .
"Farm equipment means food—vital to peace and security."

A Message to National Policymakers and Steel Executives . . .

It takes 3 million tons of steel, approximately 3% of total steel output, to make enough farm equipment for all-out crop production to feed our growing population, the Armed Forces, friendly nations, and to build up our food and fiber reserves. It's essential that this industry receives enough steel so that America's patriotic farmers have the tools they need to do the job!

IMPLEMENT & TRACTOR

"The Business Paper of the Farm Equipment Industry"

KANSAS CITY, MISSOURI

Reprints of this message available upon request.

APPENDIX

EXHIBIT 1

Budget Bureau No. 93-R-211 Approval Expires February 15, 1952

Form NPAF-148 (12-6-51) U.S. DEPARTMENT OF COMMERCE NATIONAL PRODUCTION AUTHORITY	1. Controlled material
	2. Date request filed
DATA SHEET ON REQUEST FOR ASSISTANCE IN PLACING AUTHORIZED CONTROLLED MATERIAL ORDERS	3. Name and address of applicant
INSTRUCTIONS - Submit *three (3) copies* of this request to the appropriate Controlled Materials Division. For additional instructions and listing of divisions, see reverse side. File separate request for steel, copper, and aluminum	4. NPA Industry Division or claimant agency
	5. Allotment symbol(s)

6. Quantity	Allotment Record	
	Current Quarter (a)	Succeeding Quarter (b)
Quantity allotted		
Quantity accepted to date		
Quantity required for ABCE orders		
Quantity required for other orders which are positively identifiable as for ultimate incorporation into a product to be shipped under ABCE orders		

7. PREVIOUS PURCHASE RECORD, 1949 AND 1950

Name of Supplier (Mill or Warehouse) (a)	Product (b)	Percent of total receipts from each supplier	
		1949 (c)	1950 (d)

GPO—B—CMH NPA 1213

EXHIBIT 1—Continued

8. Have all these suppliers been contacted with respect to unaccepted orders? State types of products you have attempted to obtain and results.

9. Have other suppliers been contacted? State facts.

INSTRUCTIONS

This form is to be used to request assistance from the National Production Authority in securing acceptance of authorized controlled materials orders. It is not to be used to move up delivery dates of accepted authorized controlled materials orders.

Make a separate request for each controlled material; i.e. steel, copper and aluminum. Do not make a separate request for each allotment symbol for the same controlled material.

For steel report quantities in net tons, for copper and aluminum report in pounds.

Current quarter is quarter in which report is filed.

Under previous Purchase Record show name of supplier, mill or warehouse, separately for each steel, copper or aluminum product.

If you cannot list all your suppliers on this form attach a sheet of paper to the form.

Forward this sheet, with complete data, to the appropriate NPA Controlled Materials Division, in the NEW General Accounting Office Building, Washington, D.C. as follows:

Assistant to the Director
Iron and Steel Division
Room 2-G-7

Chief, Production Facilities
and Scheduling Section
Foundry Branch
Copper Division
Room 2-H-12

Chief, Production and Facilities Section
Wire Mill Branch
Copper Division
Room 2-K-14

Chief, Production Section
Brass Mill Branch
Copper Division
Room 2-I-13

Chief, Products Branch
Aluminum and Magnesium Division
Room 2-H-1

Certification - The undersigned company and the official executing this certification on its behalf, hereby certify that the information contained in this application or report is correct and complete to the best of their knowledge and belief.

_____ By _____
Name of Company — Signature of Authorized Official

_____ _____
Address of Company — Title

The U.S. Code, Title 18 (Crimes and Criminal Procedure), Section 1001, formerly Section 80, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction. The individual company information reported on this form is for use in defense mobilization activities. Persons who have access to individual company information are subject to penalties for unauthorized disclosure.

Form MPAF-148 (12-4-51)

EXHIBIT 2

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF DEFENSE MOBILIZATION

WASHINGTON, D. C.

For AM release
Wednesday, January 23, 1952

OD–AB (1–22–52)—No. 87
EXecutive 3300—Ext. 2201

Director of Defense Mobilization Charles E. Wilson released today the recommendations and principal findings of a Steel Task Group which he named last June to appraise the adequacy of present and planned capacity of the steel industry to meet military requirements, and to evaluate the supply available for all other uses.

The Task Group was headed by Hiland G. Batcheller, Chairman of the Board of the Allegheny Ludlum Steel Company of Pittsburgh and Director of the Iron and Steel Division of the War Production Board during World War II. The Task Group was composed of 36 members, most of them experts in the field of steel production.

The group held numerous meetings with steel industry representatives, other steel experts, steel consumers and Government officials before arriving at its conclusions.

Mr. Wilson has written the members of the Group thanking them for their personal sacrifice in terms of time and convenience and saying that the data and conclusions contained in their report represent a valuable piece of information to the defense mobilization effort.

The Group's recommendations are quoted textually from the report as follows: "With reference to the over-all problems related to an adequate supply of steel for the future, we strongly urge that you give the following recommendations your utmost consideration to assure integrated and realistic programs.

"I. SUPPLY OF STEEL

"If planned facilities are to produce from 118,000,000 to 120,000,000 ingot tons of steel, an adequate supply of raw materials is obviously essential. We recommend, therefore, that—

"1. In order to supplement the diminishing supply of domestic high-grade ore, action be taken to encourage and aid in every way possible programs now under way designed to beneficiate low grades of ore (Taconite and others) in order that they may be utilized economically and, further, that encouragement and aid be extended to those who are undertaking aerial surveys with the aid of the magnetometer and gravitometer, with the objective of locating possible new deposits of domestic ore. Any favorable results from such projects would reduce our dependence on foreign sources in case of a global war.

"2. Continued effort to increase the supply of scrap necessary for sustaining steel production by historical pattern, and also a complete study to more accurately determine the availability of scrap for this purpose, and to provide for any possible deficiency by supplementing presently recognized sources of metallics by every means possible.

"3. New sources must be developed to provide additional manganese, a primary requisite for total steel production, for which there is little assurance that adequate supplies will be available from present sources for either current requirements or future needs.

"4. The supply of alloys and coating materials should receive continuous vigilance due to their strategic importance, the great dependence on foreign sources and the necessity to create adequate stockpiles for a future emergency. We are well aware of the fact that much constructive work is being done in the various Government agencies in regard to the supply of alloying elements. We feel this effort should be encouraged and expanded, particularly in the following respects:

"(a) To study and recommend all possible means of increasing domestic production and the importation from other countries of those alloying elements which are in short supply.

"(b) To study the present stockpiling program and to evaluate the present production needs of the industry against the available supply of materials and to direct such changes in the present program as may be necessary.

"(c) To consolidate the studies of the various technical committees assigned to the problems of conservation and substitution of these materials,

and to support such recommendations as may result. This part of the program should be along lines that resulted in the development of the National Emergency grades of steel during World War II.

"5. In connection with the importance of iron ore and alloying materials from foreign sources, it must be emphasized that interference in the delivery of these increasingly important foreign tonnages, as occurred in the last war, could vitally affect the maximum production of steel in this country. Protective measures are obviously the responsibility of the military authorities.

"II. STEEL FOR MILITARY REQUIREMENTS

"We have expressed our opinion that the expansion program of the industry, as now planned, will provide steel capacity on an over-all basis sufficient to meet military programs, as presently defined, with a substantial surplus available for other purposes. We particularly call attention, however, to the possibility of serious delay in the production of one or more of the weapons of war, in case there is an unexpected military requirement for any individual steel product.

"The pattern of finishing facilities, as now scheduled, is largely the result of judgment on the part of the managements of the various producers. We strongly recommend that these finishing facilities be reviewed to establish their relationship to military programs, and we further recommend that the industry be kept currently informed during the development of long-term military programs, in order that appropriate adjustments in finishing facilities, if required, may be met in time to meet actual production needs. It is particularly important that steel requirements be defined in terms of mill products.

"In normal times many of the problems outlined above are the function of experienced management in the approximately 200 companies which comprise the steel industry. During the period of defense mobilization, and particularly for the duration of government controls, it is believed that these problems can be met only by enlisting the aid of skilled men from the industry. It is, therefore, recommended that the industry be requested to staff, with qualified men, those departments of the various government agencies having the responsibility for the production and distribution of steel and the establishment of ultimate goals.

"With such skilled assistance it should be possible to compile more accurate estimates of total steel requirements of present military programs properly phased to conform with the expected production schedules and including factual estimates for components, machinery and equipment, classed as B products, which represent a substantial proportion of the total military needs. It should also be possible to make an accurate appraisal of steel requirements for full mobilization. While considerable effort has been given to the computation of military requirements, it has been impossible to uncover any source that could provide a really comprehensive estimate of total steel requirements, broken down into mill products, properly phased by quarters for the next four or five years. We respectfully point out that the lack of such information makes it impossible to give you anything more than conditional or approximate answers to your questions regarding the adequacy of steel."

Other highlights of the report are summarized as follows:

I. Supply

As of January 1, 1951, the rated capacity of the steel industry was 104,230,000 net tons of ingots. The announced capacity of 108,587,670 ingot for January 1, 1952, represents an increase of 4.3 million tons, or 4 percent during the past year. Planned capacity as reported by steel producers has been scheduled to reach 118.1 million tons by January 1, 1953, and 120.3 million tons by January 1, 1954.

If these goals are attained as scheduled, the total ingot capacity of all producers (some 200 in number), at the end of 1953 will represent a total increase of 15.5 percent since January 1, 1951, and an increase of 26 percent since World War II.

In support of the increased ingot capacity, pig iron capacity is scheduled to increase from 72,500,000 tons to 81,000,000 tons by January 1, 1953. Concurrently, adequate finishing facilities will be provided to convert the ingots into finished mill products. After the completion of this survey, additional expansion plans were reported which, if carred out, would increase the industry's ingot capacity to 121.7 million tons and pig iron capacity to 83,800,000 tons by January 1, 1954.

The expansion of the steel industry to its goal of 120.3 million tons by January 1, 1954, can only be achieved if it is carried forward as now planned.

Any action taken to delay this program will postpone the production of additional steel for future requirements. It should also be realized that the interdependence of different phases of this expansion requires adherence to a coordinated schedule if new capacity shall be productive when completed. Consequently, no changes should be made in either the over-all program on the plans of the inidividual companies without consultation with experienced men in the industry. The progress of this program should also be studied constantly to assure a balanced relationship among its various segments and its complete conformance with actual needs.

II. Meeting military requirements

There is no question but that the direct military requirements for steel as now computed can be met satisfactorily. With regard to "B products" (components) future demands will constitute a significant addition to the total stated requirements of the military programs for steel. The total demand (including direct requirements and B products), however, can be satisfied if adequate provision is made for the requirements of the military B products. The adequacy of supply for military needs is based on present military plans and any change in these plans will naturally affect the relationship between military demand and supply.

While there is no fundamental basis for determining the adequacy of the future steel capacity for full mobilization, there is every indication that present goals will be adequate in the event of another world war.

Nevertheless a very critical situation may arise with respect to a particular grade of steel or an individual mill product. Although there is considerable flexibility in steel mill production, as was demonstrated in the production of plates on strip mills for shipbuilding during World War II, there are definite limitations to this advantage. The failure to anticipate any substantial surge in the need for one or more of the usual mill products in time to provide the necessary facilities might result in a serious deficiency. It is particularly important therefore that the defense agencies make a long term estimate of steel requirements in case of full mobilization and that such requirements be stated as far as is possible by product and grade classification.

III. Steel for other uses

Based on the report's allowance for military B products, it is apparent that the increase in total steel requirements for defense, including components and machinery and equipment, has exceeded the expansion of the steel industry during 1951. It is expected that this condition will continue through 1952. However, if the total military demand follows the course as scheduled in December 1951, and steel capacity expands as now planned, the potential supply of steel for nonmilitary uses should reach its 1950 rate by the first or second quarter of 1953. Based on the same assumptions, it is also expected that the steel supply for other uses will then increase beyond the 1950 level to provide a higher rate of civilian consumption.

IV. Availability of materials

During the entire course of this study it became increasingly apparent that the "danger area" in maintaining steel production at planned capacity lies in the available supply of materials. This obvious requisite creates numerous problems of which the following deserve primary considerations:

(*a*) *Scrap.*—An adequate supply of scrap is considered the principal requisite for increasing steel production. In general, the expansion of steelmaking facilities has been based on a continuation of the present relationship between scrap and pig iron consumption (pig iron 54 percent and scrap 46 percent). The feasibility of this expectation is dependent on countless factors affecting the flow of scrap to steel mills. Currently, the situation is critical and a program is under way to increase the supply of scrap for immediate needs. During 1952 the requirements for scrap will increase rapidly as new steelmaking capacity is completed. The difficulties encountered in supplying steel industry needs in 1951 clearly indicate that emergency measures will be required to procure the larger requirements for expanded capacity in subsequent years. Furthermore, there is reason to believe that continual operation at higher rates will result in larger deficiencies of scrap unless the dependence on this material is minimized by developing all other possible sources of metallics.

(*b*) *Pig iron.*—Sufficient additional blast furnaces are being constructed to maintain the ratio between pig iron and steel capacity above 67 percent. While this projected ratio is somewhat below the actual ratio of recent years, it is based

on the rated capacity of blast furnaces and does not take into full account the possibility of further increases in the productivity of blast furnaces and prospects for charging larger quantities of ore directly into open-hearth furnaces. Blast furnaces are maintaining a higher rate of operations than previously (98 percent of capacity for the first 10 months of 1951 compared with 91.5 percent in 1950). The higher rate of production is attributed almost entirely to technological improvements in blast furnace operations and the use of ores with higher iron content and better physical structure. Based on the expectations of experienced operating men it is believed that the increase in productivity of existing furnaces, together with new furnaces now planned, will provide adequate pig iron for steel-making and foundry operations. There is, however, only a narrow margin of safety and this problem should be studied continuously and thoroughly to assure an adequate supply of pig iron in the light of available scrap and possible methods of charging ore directly into open hearths.

(*c*) *Iron ore.*—It is believed that sufficient ore will be available to support the present and planned programs of 120 million ingot tons of steel for at least several years. Looking further to the future, continued operations of steel-making capacity at this annual rate will greatly accelerate the depletion of our remaining high grade domestic ore supplies. This development will make the United States more dependent on foreign sources which will create a serious risk in case of a global war. The need for supplementing present domestic sources of high-grade ores with high-grade concentrates is paramount for developing national security. It has been concluded therefore that continual dependence on Lake Superior ore may be planned through 1956. At this time a program for expanding the production of Taconite should be in operation so as to conserve the supply of high-grade ores and provide a reserve for an emergency.

(*d*) *Coal.*—It has been concluded that adequate facilities will be available in 1954 for mining and processing the bituminous coal required by the expanded steel industry. However, for continuous operations at 120 million tons there is no substantial margin of safety.

(*e*) *Coke.*—The high degree of overage of byproduct coke ovens and the dependence on beehive ovens require close scrutiny for this situation at all times.

(*f*) *Limestone.*—An abundant supply of limestone is available for capacity operations for the foreseeable future.

(*g*) *Alloys and coating materials.*—In connection with over-all steel production special attention should be given to manganese. This metal is a single-purpose material on which the steel industry is entirely dependent for maintaining total steel production. The great dependence of the United States on foreign sources intensifies its importance. In order to supplement present supplies and provide adequate protection in case of a global war the further development of domestic sources seems imperative.

The essentiality of other alloys and coating materials has also been recognized and they were made the subject of a special study in June 1951. However, new developments preclude a restatement of its conclusions. The fluidity of requirements, the strategic importance of these materials, the dependence on foreign sources for a continuing supply, and the necessity to stockpile for an emergency necessitate a continuing study of alloys and coating materials in order to make an adequate appraisal of this problem.

Experienced men throughout the industry are giving every phase of these problems serious consideration. In the field of iron ore, research and development programs aimed at the utilization of domestic low-grade ores are receiving urgent attention. In the field of alloys, metallurgists are carrying on innumerable experiments aimed at the replacement of a scarce element with one more abundant, or in making leaner alloys do the work of those heretofore rich in alloy materials. During a period of defense mobilization designed to strengthen our Nation's resources it is believed that the many diverse problems posed by a prodigious steel expansion require the utmost coordination based primarily on a sound and practical estimate of future needs and the availability of materials.

The final conclusion is therefore, that the planned expansion of the steel industry deserves continuous study to assure a well-integrated program for attaining realistic goals.

The members of the Steel Task Group, in addition to Mr. Batcheller, were:

Thomas Dimond, Youngstown Sheet & Tube Co., Youngstown, Ohio.
Derrick L. Brewster and William Gilmour, Inland Steel Co., Chicago, Ill.
R. W. Dalzell and R. W. Wolcott, Lukens Steel Co., Coatesville, Pa.
Harry Leopold, Jr., John A. Roebling's Sons Co., Trenton, N. J.
John T. Anderson, Armco Steel Corp., Middletown, Ohio.

S. A. Fuller and K. C. Allen, Jones & Laughlin Steel Corp., Pittsburgh, Pa.
P. J. Sandmaier and William P. Carlin, Republic Steel Corp., Cleveland, Ohio.
G. H. Love, Pittsburgh Consolidated Coal Co., Pittsburgh, Pa.
C. H. H. Weikel, Richard Thompson, Robert Woodward and Charles H. Herty, Jr., Bethlehem Steel Corp., Bethlehem, Pa.
B. E. Etcheverry, Kaiser Steel Corp., Fontana, Calif.
B. E. Estes, A. A. Monnett, J. L. Rich, E. S. Hughes, Werner Neumann, Anthony Siragusa, M. D. Corner and H. C. Stringfield, U. S. Steel Corp,. Pittsburgh, Pa.
S. M. Norwood, Electrometallurgical Co., New York, N. Y.
H. F. French and Joseph M. Weldon, International Nickel Co., New York, N. Y.
Elton Hoyt, 2d, Pickands Mather & Co., Cleveland, Ohio.
C. W. King and William A. Kirkpatrick, Allegheny Ludlum Steel Co., Pittsburgh, Pa.
Ward A. Miller, Vanadium Corp. of America, New York, N. Y.
Carl M. Loeb, Jr., Climax Molybdenum Co., New York, N. Y.
J. T. Whiting, Alan Wood Steel Co., Conshohocken, Pa.
Robert W. Zehring, Bureau of the Budget, served as executive secretary for the Task Group.

EXHIBIT 3

THE MIDWEST STEEL & IRON WORKS CO.,
STRUCTURAL STEEL AND ORNAMENTAL IRON,
Denver 17, Colo., December 6, 1951.

DEAR SIR: We have been concerned about the recent publicity regarding the availability of structural steel to be used for construction purposes. In the past few weeks conditions have developed which lead us to believe that there should be a much larger amount of structural steel available for construction in the near future than there has been in the immediate past.

This anticipated increase in supply has been predicted by industry leaders, and we are sending you herewith copy of an address made by J. V. Honeycutt, assistant vice president of Bethlehem Steel Company, before the convention of the American Institute of Steel Construction in October. In this speech Mr. Honeycutt gives a resume of the increased production of steel which will be available in 1952, as well as his reasons for believing that the present demand for structural steel is unrealistic.

Just recently we have been offered relatively large tonnages of steel by the mills which we have been unable to order because we do not have authorized CMP allotments to order against. Many contracts which we have on our books run into the 2nd quarter, 1952, and steel for these contracts has already been accepted by the mills for 1st quarter delivery, and we anticipate no trouble in obtaining all the steel we require for these contracts.

We feel that continued easing of the shortage of structural steel will result in some degree of relaxation of Government restrictions. Our inventories of structural steel are near a maximum, enabling us to take care of many contracts from stock. If you wish any information regarding availabilty of stock material, we would appreciate hearing from you.

Yours very truly,

THE MIDWEST STEEL & IRON WORKS CO.,
W. E. GEER, *Secretary and General Manager.*

W. E. Geer:BP
Enc.

Structural Steel & Bar Shapes

AVAILABLE FOR IMMEDIATE SHIPMENT

REGULAR WAREHOUSE PRICE from WAREHOUSE STOCK

ALL MATERIALS SUBJECT TO PRIOR SALE

ANGLES:

100 pcs.	1/2x1/2x20'-0"	300 pcs.	1x1x3/16x20'-0"
300 pcs.	1x1x1/4x20'-0"	300 pcs.	1x1x1/4x20'-0"
500 pcs.	1 1/4x1 1/4x1/4x20'-0"	300 pcs.	1 1/4x1 1/4x3/16x20'-0"
100 pcs.	1 1/4x1 1/4x1/4x20'-0"	200 pcs.	1 1/4x1 1/4x1/4x20'-0"
300 pcs.	2x2x3/16x40'-0"	100 pcs.	2x2x1/4x40'-0"
100 pcs.	2 1/2x2 1/2x3/16x40'-0"	200 pcs.	2 1/2x2 1/2x1/4x40'-0"
100 pcs.	2 1/2x2 1/2x3/16x40'-0"	200 pcs.	2 1/2x2 1/2x1/4x60'-0"
100 pcs.	2 1/2x2 1/2x1/4x40'-0"	200 pcs.	3x3x1/4x60'-0"
100 pcs.	3 1/2x3 1/2x1/4x40'-0"	50 pcs.	3 1/2x3x5/16x60'-0"
50 pcs.	3 1/2x3 1/2x1/4x60'-0"	50 pcs.	4x3x1/4x29'-4"
50 pcs.	4x3x1/4x35'-4"	30 pcs.	4x3x5/16x60'-0"
50 pcs.	4x3 1/2x1/4x60'-0"	50 pcs.	5x3 1/2x1/4x60'-0"
30 pcs.	6x4x1/4x60'-0"	8 pcs.	6x4x1/4x48'-0"
8 pcs.	6x6x1/4x50'-0"	13 pcs.	6x6x5/8x50'-0"
10 pcs.	6x6x1/4x60'-0"	10 pcs.	8x6x1/4x60'-0"
4 pcs.	8x6x1/4x40'-0"	15 pcs.	8x8x1/4x50'-0"

WIDE FLANGE SECTIONS:

50 pcs.	6" at 20 lbs.	60'-0"	
50 pcs.	8" at 24 lbs.	60'-0"	
40 pcs.	8" at 31 lbs.	40'-0"	
50 pcs.	10" at 21 lbs.	60'-0"	
10 pcs.	10" at 33 lbs.	60'-0"	
10 pcs.	10" at 49 lbs.	60'-0"	
50 pcs.	12" at 27 lbs.	60'-0"	
5 pcs.	12" at 40 lbs.	64'-0"	
5 pcs.	12" at 58 lbs.	61'-0"	
50 pcs.	14" at 30 lbs.	60'-0"	
50 pcs.	16" at 36 lbs.	60'-0"	
10 pcs.	16" at 40 lbs.	60'-0"	
30 pcs.	18" at 50 lbs.	60'-0"	
10 pcs.	21" at 62 lbs.	60'-0"	
10 pcs.	24" at 76 lbs.	60'-0"	

STANDARD "I" BEAMS:

40 pcs.	6" at 12.5 lbs.	30'-0"	
20 pcs.	6" at 12.5 lbs.	50'-0"	
30 pcs.	6" at 12.5 lbs.	60'-0"	
50 pcs.	8" at 18.4 lbs.	60'-0"	
30 pcs.	10" at 25.4 lbs.	60'-0"	
30 pcs.	12" at 31.8 lbs.	60'-0"	
50 pcs.	15" at 42.9 lbs.	60'-0"	
12 pcs.	15" at 50.0 lbs.	52'-0"	
4 pcs.	20" at 65.4 lbs.	50'-0"	
2 pcs.	20" at 85.0 lbs.	50'-0"	
6 pcs.	24" at 79.9 lbs.	64'-0"	
2 pcs.	24" at 105.9 lbs.	80'-0"	

J & L BEAMS

50 pcs. 12" at 11.8 lbs. 60'-0"

CHANNELS:

100 pcs.	6" at 8.2 lbs. 60'-0"	50 pcs.	9" at 13.4 lbs. 60'-0"
50 pcs.	8" at 11.5 lbs. 60'-0"	50 pcs.	10" at 8.4 lbs. 40'-0"

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THE DENVER POST
January 4, 1952

EXHIBIT 4

SPECIAL REPORT

BUILD-UP IN STEEL

INVENTORY OF CAPACITIES, PRESENT AND PENDING

Steel this week brings you a detailed and exclusive report on the nation's expansion in steel ingot and pig iron production facilities.

This report reveals publicly for the first time the steel ingot and pig iron capacities by plants as of Jan. 1, 1952, along with Jan. 1, 1951, figures for comparative purposes. The report also shows what expansions are under way now or are projected.

Steel's report accounts for 108,542,870 net tons of ingot capacity and 73,412,998 net tons of blast furnace capacity as of Jan. 1, 1952. These figures are almost identical with totals announced by the American Iron & Steel Institute. It reported ingot capacity of 108,587,670 tons and blast furnace capacity of 73,782,340 tons as of Jan. 1, 1952.

Preview of 1953.—Additions planned or being made to ingot capacity will give a net increase of 10,907,561 tons over that of Jan. 1, 1952, Steel's survey shows. This would bring ingot capacity to 119,450,431 tons in 1953. This is in line with what the institute has expected for 1953, approximately 120 million tons.

Similarly, Steel's survey reveals expansions being made or planned will boost blast furnace capacity to 80,688,198 tons. The institute had announced that it expects blast furnace capacity will rise to at least 81 million tons by the start of 1954.

Change of Pace.—Not many more announcements of ingot facility expansions are likely. Most of the attention henceforth likely will be on further additions to the country's blast furnace and rolling mill capacities and raw materials and refractory producing facilities.

The Defense Production Administration believes the country does not need more than 122 million tons of steel ingot producing capacity. On the other hand the DPA has a strong feeling that encouragement should be given to the building of additional blast furnace capacity, perhaps 2 million to 3 million tons more. The DPA also believes there will be need for additional steel finishing facilities, enlargement of raw materials supplies and expansion in the refractories field. Consequently, the DPA is reconsidering its policies of granting certificates of necessity for accelerated tax amortization on iron and steel and related facilities.

Sizing Them Up.—Steel's survey shows 15 additional blast furnaces are being built or are being considered. Expansions under way and projected would increase blast furnace capacity 10 percent over that on Jan. 1, 1952. Similarly, expansions in steelmaking facilities will put 1953 ingot capacity 10 percent over the Jan. 1, 1952, capacity. Of these expansions, 80 percent are in open-hearth capacity. Practically all of the other 20 percent are in electric furnace capacity, with only a minor amount being in bessemer capacity.

In contrast, the expansion will raise open-hearth capacity only 10 percent over Jan. 1, 1952, while electric furnace capacity will jump 30 percent.

[Source: Steel magazine, March 3, 1952. (Accompanying charts and tables pp. 796–807.)]

Steel ingot capacity by type, company, and plant location

	Jan. 1, 1951						Jan. 1, 1952					
	Open hearth		Bessemer		Electric		Open hearth		Bessemer		Electric	
	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons
Alan Wood Steel Co.: Ivy Rock, Pa	7	550,000					8	625,000				
Allegheny Ludlum Steel Corp. (total)	6	269,160			28	572,200	5	240,000			28	619,200
Ferndale, Mich					5	3,000					5	3,000
Dunkirk, N. Y					3	33,000					3	33,000
Tonawanda, N. Y					2	4,500					2	4,500
Watervliet, N. Y					3	25,000					3	72,000
Brackenridge, Pa	6	269,160			15	506,700	5	240,000			15	506,700
American Locomotive Co. (total)	6	181,000					6	181,000				
Chicago Heights, Ill	3	78,000					3	78,000				
Latrobe, Pa	3	103,000					3	103,000				
Armco Steel Corp. (total)	39	3,934,000			9	396,000	39	3,979,000			10	546,000
Ashland, Ky	8	900,000					8	860,000				
Baltimore, Md					6	102,000					6	102,000
Middletown, Ohio	11	1,312,000			2	228,000	11	1,277,000			2	228,000
Butler, Pa	6	408,000			1	66,000	6	408,000			1	66,000
Sheffield Steel Corp.:												
Kansas City, Mo	5	420,000					5	480,000				
Sand Springs, Okla	1	54,000					1	54,000				
Houston, Tex	8	840,000					8	900,000			1	150,000
Atlantic Steel Co.: Atlanta, Ga	3	188,000					3	188,000				
Babcock & Wilcox Co.: Beaver Falls, Pa					2	64,800					3	133,450
Baldwin-Lima-Hamilton Corp.: Burnham, Pa	5	149,280			1	[1] 20	5	169,920			1	[1] 20
Barium Steel Corp. (total)	13	840,030			1	46,000	13	840,030			1	46,000
Central Iron & Steel Co.: Harrisburg, Pa	5	360,000			1	46,000	5	360,000			1	46,000
Industrial Forge & Steel Co.: Canton, Ohio	2	48,600					2	48,600				
Phoenix Iron & Steel Co.: Phoenixville, Pa	6	431,430					6	431,430				
Bethlehem Steel Corp.:												
Bethlehem Steel Co. (total)	122	14,485,000	6	576,000	8	158,000	123	15,466,000	3	336,000	8	158,000
Lackawanna, N. Y	30	3,920,000					30	4,020,000				
Bethlehem, Pa	32	2,922,000			8	158,000	32	2,970,000			8	158,000
Johnstown, Pa	21	1,788,000	3	240,000			21	2,100,000				

Steelton, Pa	11	1,032,000					12	1,312,000				
Sparrows Point, Md	28	4,824,000	3	336,000			28	5,064,000	3	336,000		
Bethlehem Pacific Coast Steel Corp. (total)	13	540,000			2	240,000	10	456,000			3	384,000
Los Angeles	3	84,000			2	240,000					3	384,000
South San Francisco	5	240,000					5	240,000				
Seattle, Wash	5	216,000					5	216,000				
Bolardi Steel Corp: Milton, Pa					2	50,760					2	53,675
Borg-Warner Corp.: New Castle, Ind					3	28,350					3	30,000
Braeburn Alloy Steel Corp.: Braeburn, Pa					2	20,730					2	20,730
Byers Co., A. M.: Harmony Township, Pa					2	75,000					2	75,000
Carpenter Steel Co.: Reading, Pa					7	81,360					7	81,360
Colorado Fuel & Iron Corp. (total)	27	2,028,000					27	2,028,000				
Pueblo, Colo	16	1,320,000					16	1,320,000				
Tonawanda, N. Y	4	240,000					4	240,000				
Claymont Steel Corp.: Claymont, Del	7	468,000					7	468,000				
Columbia Tool Steel Co.: Chicago Heights, Ill					2	6,600					2	6,600
Connors Steel Co.: Birmingham, Ala					2	60,000					2	60,000
Continental Steel Corp.: Kokomo, Ind	5	393,760					5	394,000				
Copperweld Steel Co.: Warren, Ohio					7	554,400					7	554,400
Crucible Steel Co. of America (total)	11	867,000			24	286,400	10	867,000			25	331,960
Harrison, N. J					12	2,160					13	2,360
Syracuse, N. Y					6	56,280					7	59,600
Midland, Pa	11	867,000			6	228,000	10	867,000			5	270,000
Damascus Tube Co.: Greenville, Pa					3	1,800					3	1,800
Detroit Steel Corp.: Portsmouth, Ohio	10	660,000					10	660,000				
Disston & Sons, Inc., Henry: Philadelphia, Pa					2	25,000					2	25,000
Eastern Stainless Steel Corp.: Colgate, Md					4	12,000					4	14,400
Edgewater Steel Co.: Oakmont, Pa	3	146,470					3	146,470				
Empire Steel Co.: Mansfield, Ohio	6	390,320					7	470,320				
Erie Forge Co.: Erie, Pa	3	90,000					5	234,000				
Firth Sterling Steel & Carbide Corp.: McKeesport, Pa					3	20,040					3	20,040
Ford Motor Co.: Dearborn, Mich	10	1,246,580			5	165,000	10	1,260,000			5	201,000
Granite City Steel Co.: Granite City, Ill	13	720,000					13	720,000				
Harrisburg Steel Corp.: Harrisburg, Pa	3	100,750					3	100,750				
Heppenstall Co.: Pittsburgh, Pa	2	39,880			1	3,000	2	39,880			1	3,000
Hoster Steel Corp.: Oklahoma City, Okla											1	14,400
Inland Steel Co.: Indiana Harbor, Ind	36	3,750,000					36	3,750,000				
International Harvester Co.: South Chicago, Ill	11	900,000					11	900,000				
Isaacson Iron Works: Seattle, Wash					2	120,000					2	120,000
Jessop Steel Co.: Washington, Pa					4	41,560					4	[4] 33,491

See footnotes at end of table, p. 800.

Steel ingot capacity by type, company, and plant location—Continued

	Jan. 1, 1951						Jan. 1, 1952					
	Open hearth		Bessemer		Electric		Open hearth		Bessemer		Electric	
	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Unit	Capacity annually, net tons	Units	Capacity annually, net tons
Jones & Laughlin Steel Corp. (total)	30	3,927,000	6	918,000	1	1,500	38	4,579,500	6	918,000	1	1,500
Cleveland, Ohio	9	945,000					11	1,155,000				
Aliquippa, Pa	5	1,182,000	3	582,000			5	1,182,000	3	582,000		
Pittsburgh, Pa	16	1,800,000	3	336,000	1	1,500	22	2,242,500	3	336,000	1	1,500
Joslyn Manufacturing & Supply Co.: Ft Wayne, Ind					3	37,500					3	37,500
Judson Steel Corp.: Emeryville, Calif	3	76,500					3	76,500				
Kaiser Steel Corp.: Fontana, Calif	7	1,200,000					8	1,380,000				
Keystone Steel & Wire Co.: Peoria, Ill	3	325,000					4	400,000				
Kilby Steel Co.: Anniston, Ala					1	50,000					1	50,000
					2	Idle					2	Idle
Knoxville Iron Co.: Knoxville, Tenn					2	38,000					2	38,000
Laclede Steel Co.: Alton, Ill	4	397,840					4	410,000				
Latrobe Electric Steel Co.: Latrobe, Pa					4	12,000					4	12,000
R. G. LeTourneau, Inc.: Longview, Tex					1	5,000					1	5,000
Lukens Steel Co.: Coatesville, Pa	12	675,000					12	675,000				
McLouth Steel Corp.: Trenton, Mich					4	400,000					4	550,000
Mesta Machine Co.: West Homestead, Pa	4	85,000			1	20,000	4	85,000			1	20,000
Midvale Co.: Philadelphia, Pa	6	324,430			9	92,940	3	135,626			6	139,028
National Forge & Ordnance Co.: Irvine, Pa					3	25,000					3	30,000
National Steel Corp. (Total)	29	4,750,000	[3] 4				30	5,070,000	[3] 4			
Great Lakes Steel Corp.: Ecorse, Mich	17	2,450,000	[3] 2				17	2,570,000	[3] 2			
Weirton Steel Co.: Weirton, W. Va	12	2,300,000	[3] 2				13	2,500,000	[3] 2			
National Supply Co.: Torrance, Calif					3	50,400					3	[4] 50,200
Newport Steel Corp.: Newport, Ky	7	413,100			3	291,600	7	413,000			3	291,600
Northwest Steel Rolling Mills, Inc.: Seattle, Wash					1	32,400					1	32,400
Northwestern Steel & Wire Co.: Sterling, Ill					3	321,000					3	321,000
Ohio River Steel Corp.: Toronto, Ohio	4	121,200					4	121,200				
Oregon Steel Mills: Portland, Oreg					3	105,896					3	106,000
Pacific States Steel Corp.: Niles, Calif	2	140,000			2	91,300	2	140,000			4	182,600
Pittsburgh Steel Co.: Monessen, Pa	12	1,072,000					12	1,072,000				

Republic Steel Corp. (total)	74	7,202,000	2	665,000	21	1,100,000	74	7,550,000	2	665,000	26	1,275,000
Gadsden, Ala.	8	745,000					8	789,000				
South Chicago, Ill.	4	500,000			9	600,000	4	532,000			9	600,000
Buffalo, N. Y.	9	870,000					9	882,000				
Canton, Ohio	6	475,000			12	500,000	6	450,000			17	675,000
Cleveland, Ohio	15	1,637,000					15	1,900,000				
Massillon, Ohio	9	610,000					9	620,000				
Youngstown, Ohio	15	1,465,000	2	665,000			15	1,477,000	2	665,000		
Warren, Ohio	8	900,000					8	900,000				
Roebling's Sons Co., J. A.: Roebling, N. J.	9	185,000					9	204,870				
Rotary Electric Steel Co.: Detroit, Mich					5	420,000					5	425,000
Seidelhuber Steel Rolling Mill Co.: Seattle, Wash.											1	75,000
Sharon Steel Corp. (total)	19	1,381,400			2	60,000	19	1,478,000			2	72,000
Farrell, Pa.	14	981,400					14	1,000,000				
Lowellville, Ohio	5	400,000			2	60,000	5	478,000			2	72,000
Simonds Saw & Steel Co.: Lockport, N. Y.					3	21,600					3	21,600
Stanley Works: Bridgeport, Conn.	3	188,280					3	188,280				
Texas Steel Co.: Ft. Worth, Tex.					2	22,320					2	22,320
Timken Roller Bearing Co.: Canton, Ohio	3	201,600			6	345,600	3	201,600			6	345,600
Union Electric Steel Corp.: Carnegie, Pa.					2	26,760					2	26,760
United States Steel Corp. (total)	313	30,966,400	17	2,472,000	14	430,300	298	31,799,200	17	2,472,000	10	371,400
American Steel and Wire Division (total)	26	2,098,000					26	2,093,000				
Worcester, Mass.	4	250,000					4	275,000				
Duluth, Minn.	9	918,000					9	918,000				
Donora, Pa.	13	900,000					13	900,000				
Columbia-Geneva Steel Division (total)	20	2,006,400			1	12,000	21	2,166,400			1	12,000
Torrance, Calif.	4	201,700			1	12,000	4	201,700			1	12,000
Pittsburg, Calif.	7	364,700					7	364,700				
Geneva, Utah	9	1,440,000					10	1,600,000				
National Tube Div. (total)	15	2,226,000	6	1,188,000			15	2,336,000	6	1,188,000		
Lorain, Ohio	12	1,350,000	3	900,000			12	1,400,000	3	900,000		
McKeesport, Pa.	3	876,000	3	288,000			3	936,000	3	288,000		
Tennessee Coal & Iron Division (total)	21	2,920,000	[3] 3				21	3,027,000	[3] 3			
Ensley, Ala.	9	1,568,000	[3] 3				9	1,625,000	[3] 3			
Fairfield, Ala.	12	1,352,000					12	1,402,000				

See footnotes at end of table, p. 800.

Steel ingot capacity by type, company, and plant location—Continued

	Jan. 1, 1951						Jan. 1, 1952					
	Open hearth		Bessemer		Electric		Open hearth		Bessemer		Electric	
	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons	Units	Capacity annually, net tons
United States Steel Corp.—Continued												
United States Steel Co. (total)	231	21,746,000	8	1,284,000	13	418,300	215	22,176,800	8	1,284,000	9	359,400
South Chicago, Ill	31	3,905,000	3	500,000	8	270,000	31	4,200,000	3	500,000	3	191,000
Gary, Ind	55	6,025,700	[3] 3				55	6,264,400	[3] 3			
Youngstown, Ohio	15	1,700,000	2	784,000			15	1,900,000	2	784,000		
Braddock, Pa	16	2,080,400					16	2,080,400				
Clairton, Pa	12	870,000					12	900,000				
Duquesne, Pa	27	1,800,000			4	142,800	27	1,900,000			4	160,000
Johnstown, Pa	2	18,900			1	5,500	2	16,000			2	8,400
Munhall, Pa	61	4,866,000					45	4,366,000				
Vandergrift, Pa	12	480,000					12	550,000				
Universal Cyclops Steel Corp.: Bridgeville, Pa					4	54,120					5	70,160
Vanadium-Alloys Steel Co.:												
Latrobe, Pa					2	11,910					2	11,910
Monaca, Pa					1						1	
Colonial Steel Co.: Monaca, Pa					1	7,020					1	7,020
Vulcan Crucible Steel Co.: Aliquippa, Pa					2	9,600					2	9,600
Washburn Wire Co.: Phillipsdale, R. I	4	93,000					4	93,000				
Wheeling Steel Corp. (total)	11	1,440,000	2	420,000			11	1,440,000	2	420,000		
Benwood, W. Va			2	420,000					2	420,000		
Steubenville, Ohio	11	1,440,000					11	1,440,000				
Youngstown Sheet & Tube Co. (total)	33	3,680,000	4	570,000			33	3,800,000	4	570,000		
East Chicago, Ind	9	1,196,000	2	330,000			9	1,196,000	2	330,000		
Campbell, Ohio	12	1,302,000	2	240,000			12	1,422,000	2	240,000		
Youngstown, Ohio	12	1,182,000					12	1,182,000				
Grand total	946	91,305,980	[1] 41	5,621,000	237	7,112,826	939	95,028,146	[1] 38	5,381,000	244	8,133,724

[1] Crucible furnace.
[2] Used in melting charge for open hearths.
[3] Includes 10 converters used only in melting charge for open hearths.
[4] Decline due to use of American Iron & Steel Institute's new formula for reporting capacities.

[3] Includes 10 converters used only in melting charge for open hearths.
[4] Decline due to use of American Iron & Steel Institute's new formula for reporting capacities.

Blast furnace capacity by plant location

	Capacity, Jan. 1, 1951		Capacity, Jan. 1, 1952		Expansion under way or planned		Completion date	Total anticipated annual capacity, net tons
	Stacks	Capacity annually, net tons	Stacks	Capacity annually, net tons	Stacks	Capacity annually, net tons		
Alan Wood Steel Co.: Swedeland, Pa.	2	454,800	2	454,800	0			454,800
Armco Steel Corp.	7	1,642,000	7	1,641,000				2,205,000
Ashland, Ky.	3	777,000	3	777,000	0			777,000
Hamilton, Ohio	2	564,000	2	564,000	0			564,000
Middletown, Ohio	0		0		1	504,000	December 1952	504,000
Sheffield Steel Corp.: Houston, Tex.	1	274,000	1	300,000	0	[1] 60,000	1952	360,000
Valencia Iron & Chemical Corp.: Rusk, Tex.	1	27,000	1	(2)	0			
Barium Steel Corp.	1	200,000	1	200,000				776,000
Chester Blast Furnace: Chester, Pa.	1	200,000	1	200,000	0			200,000
Central Iron & Steel Co.: Harrisburg, Pa.	0		0		1	288,000	April 1953	288,000
Phoenix Iron & Steel Co.: Phoenixville, Pa.	0		0		1	288,000	do.	288,000
Bethlehem Steel Corp. (total)	31	10,350,000	31	10,400,000				[3] 11,200,000
Sparrows Point, Md.	8	3,252,000	8	3,252,000	1	600,000	1953	3,852,000
Lackawanna, N. Y.	6	2,472,000	6	2,472,000	1	500,000	1952	2,672,000
Bethlehem, Pa.	7	2,160,000	7	2,160,000				2,160,000
Johnstown, Pa.	7	1,674,000	7	1,674,000				1,674,000
Steelton, Pa.	3	792,000	3	842,000				842,000
Colorado Fuel & Iron Corp. (total)	7	1,459,200	7	1,459,200				1,541,200
Pueblo, Colo.	4	918,000	4	918,000	[4] 1	42,000	4th quarter, 1952	960,000
Tonawanda, N. Y.	2	390,000	2	390,000		40,000	do.	430,000
Brooke Iron Division (E. & G.): Birdsboro, Pa.	1	151,200	1	151,200	0			151,200
Crucible Steel Co.: Midland, Pa.	2	532,000	2	535,000	1	360,000	3d quarter, 1952	895,000
Detroit Steel Corp.: Portsmouth, Ohio	1	264,000	1	264,000	1	504,000	4th quarter, 1952	768,000
Eastern Gas & Fuel: Everett, Mass.	1	196,000	1	196,000	0			196,000
Ford Motor Co.: Dearborn, Mich.	3	939,600	3	1,102,627	0			1,102,627
Globe Iron Co.: Jackson, Ohio	1	90,000	1	100,000	0			100,000

See footnotes at end of table, p. 805.

Blast furnace capacity by plant location—Continued

	Capacity, Jan. 1, 1951		Capacity, Jan. 1, 1952		Expansion under way or planned		Completion date	Total anticipated annual capacity, net tons
	Stacks	Capacity annually, net tons	Stacks	Capacity annually, net tons	Stacks	Capacity annually, net tons		
Granite City Steel Co.: Granite City, Ill	2	449,680	2	449,680	0			449,680
Inland Steel Co.: Indiana Harbor, Ind	8	2,638,950	8	2,638,950	0			2,638,950
Interlake Iron Corp. (total)	6	1,244,860	6	1,298,270				1,532,770
Chicago, Ill	2	448,020	2	448,020	[5] 1	133,980	First half 1953	582,000
Duluth, Minn	1	131,660	1	131,670	0			131,670
Toledo, Ohio	2	497,600	2	551,000	0			551,000
Erie, Pa	1	167,580	1	167,580	[5] 1	100,520	Fall, 1952	268,100
International Harvester Co.: South Chicago, Ill	3	719,710	3	754,389	0			754,389
Jackson Iron & Steel Co.: Jackson, Ohio	1	93,000	1	93,000	0	9,300	1953	102,300
Jones & Laughlin Steel Corp. (total)	13	4,212,000	13	4,212,000				4,312,000
Cleveland, Ohio	2	540,000	2	540,000	[5] 1	100,000	April 1952	640,000
Aliquippa, Pa	5	1,800,000	5	1,800,000	0			1,800,000
Pittsburgh, Pa	6	1,872,000	6	1,872,000	0			1,872,000
Kaiser Steel Corp.: Fontana, Calif	2	876,000	2	876,000	[5] 1			876,000
Kaiser & Frazer Parts Corp.: Ironton, Utah	1	300,000	[7] 0	0	0			
Lavino & Co., E. J	2	102,200	2	112,000				112,000
Sheridan, Pa	1	51,100	1	56,000	0			56,000
Lynchburg, Va	1	51,100	1	56,000	0			56,000
Lone Star Steel Co.: Lone Star, Tex	1	366,600	1	366,600	0			366,600
National Steel Corp. (total)	10	3,120,000	10	3,240,000				4,420,000
Great Lakes Steel Corp.: River Rouge, Mich	3	1,100,000	3	1,200,000	1	480,000	July 1952	
					[5] 1	220,000	December 1953	1,900,000
Hanna Furnace Corp.: Buffalo, N. Y	4	780,000	4	800,000	0			800,000
Weirton Steel Co.: Weirton, W. Va	3	1,240,000	3	1,240,000	1	480,000	Late 1952	1,720,000
New Jersey Zinc Co., Palmerton, Pa	1	65,000	1	65,000	0			65,000
Newport Steel Corp., Martins Ferry, Ohio	1	144,000	1	144,000	0			144,000

Pittsburgh Coke & Chemical Co.	2	474,100	2	474,100				765,700
Struthers, Ohio	1	182,500	1	182,500	0			182,500
Neville Island, Pa.	1	291,600	1	291,600	1	291,600	Fourth quarter 1952	583,200
Pittsburgh Steel Co., Monessen, Pa.	3	954,000	3	954,000	0			954,000
Republic Steel Corp. (total)	21	6,592,000	21	6,705,000				7,242,000
Birmingham, Ala.	2	456,000	2	456,000	0			456,000
Gadsden, Ala.	2	471,000	2	471,000	0			471,000
South Chicago, Ill.	1	450,000	1	450,000	0			450,000
Buffalo, N. Y.	2	618,000	2	618,000	0			618,000
Troy, N. Y.	1	263,000	1	263,000	0			263,000
Canton, Ohio	1	235,000	1	235,000	0			235,000
Cleveland, Ohio	5	1,685,000	5	1,735,000	1	537,000	Second quarter 1952	2,272,000
Massillon, Ohio	1	238,000	1	238,000	0			238,000
Warren, Ohio	1	516,000	1	516,000	0			516,000
Youngstown, Ohio	5	1,660,000	5	1,723,000	0			1,723,000
Sharon Steel Corp.	3	709,620	3	709,620				709,620
Lowellville, Ohio	1	148,620	1	148,620	0			148,620
Farrell, Pa.	2	561,000	2	561,000	0			561,000
Shenango Furnace Co., Sharpsville, Pa.	2	417,300	2	417,300	0			417,300
Sloss-Sheffield Steel & Iron Co.	4	423,270	4	491,710				491,710
Birmingham, Ala.	2	281,230	2	281,230	0			281,230
North Birmingham, Ala.	2	142,040	2	210,480	0			210,480
Tennessee Products & Chemical Corp.	3	142,510	3	220,320				220,320
Lyles-Wrigley, Tenn.	1	40,320	1	40,320	0			40,320
Rockwood, Tenn.	2	102,190	2	180,000	0			180,000
Tonawanda Iron Division (American Radiator & Standard Sanitary Corp.): North Tonawanda, N. Y.	1	171,000	1	171,000	0			171,000
United States Steel Corp.	81	26,180,600	82	26,600,300				28,137,100
American Steel and Wire Division (total)	6	1,429,400	6	1,429,400				1,429,400
Duluth, Minn.	2	449,400	2	449,400	0			449,400
Cleveland, Ohio	2	530,000	2	530,000	0			530,000
Donora, Pa.	2	450,000	2	450,000	0			450,000

See footnotes at end of table, p. 805.

Blast furnace capacity by plant location—Continued

	Capacity, Jan. 1, 1951		Capacity, Jan. 1, 1952		Expansion underway or planned		Completion date	Total anticipated annual capacity, net tons
	Stacks	Capacity annually, net tons	Stacks	Capacity annually, net tons	Stacks	Capacity annually, net tons		
United States Steel Corp—Continued								
Columbia-Geneva Steel (total)	4	1,399,200	5	1,682,700				1,682,700
Geneva, Utah	3	1,200,000	3	1,200,000	0			1,200,000
Ironton, Utah	1	199,200	[7] 2	482,700	0			482,700
National Tube (total)	9	3,098,700	9	3,122,800				3,122,800
Lorain, Ohio	5	1,818,400	5	1,842,500	0			1,842,500
McKeesport, Pa	4	1,280,300	4	1,280,300	0			1,280,300
Tennessee Coal & Iron (total)	9	2,497,500	9	2,497,500				2,900,300
Fairfield, Ala	3	1,015,700	3	1,015,700	0	[8] 402,800	1953	1,418,500
Ensley, Ala	6	1,481,800	6	1,481,800	0			1,481,800
United States Steel (total)	53	17,755,800	53	17,867,900				19,001,900
South Chicago, Ill	11	4,196,700	11	4,196,700	0			4,196,700
Gary, Ind	12	4,721,400	12	4,721,400	0			4,721,400
Youngstown, Ohio	6	1,891,600	6	2,003,700	0			2,003,700
Braddock, Pa	7	2,602,700	7	2,602,700	0			2,602,700
Clairton, Pa	3	614,000	3	614,000	0			614,000
Duquesne, Pa	6	1,451,400	6	1,451,400	0			1,451,400
Etna, Pa	2	145,000	2	145,000	0			145,000
Morrisville, Pa	0	0	0	0	2	1,134,000	Third quarter 1952	1,134,000
Rankin, Pa	6	2,133,000	6	2,133,000	0			2,133,000
Wheeling Steel Corp	6	1,678,500	6	1,678,500				1,678,500
Steubenville, Ohio	5	1,444,500	5	1,444,500	0			1,444,500
Benwood, W. Va	1	234,000	1	234,000	0			234,000
Woodward Iron Co.: Woodward, Ala	3	592,760	4	772,632	0			772,632

Youngstown Sheet & Tube (total)	12	3,616,000	12	3,616,000				4,116,000
South Chicago, Ill.	3	684,000	3	684,000	0			684,000
East Chicago, Ind.	2	779,200	2	779,200	1	500,000	August 1952	1,279,200
Campbell, Ohio	4	1,450,800	4	1,450,800	0			1,450,800
Hubbard, Ohio	1	200,400	1	200,400	0			200,400
Youngstown, Ohio	2	501,600	2	501,600	0			501,600
Grand total	248	72,411,260	249	73,412,998		[9] 7,275,200		80,688,198

[1] Due to improved practice.
[2] Not operable.
[3] Estimated by Steel; Bethlehem Steel Co. estimates capacity on Jan. 1, 1953, at 11 million net tons.
[4] Furnace replacement.
[5] Furnace enlargements.
[6] Being considered.
[7] Kaiser & Frazer Parts Corp. stack now leased and operated by Columbia-Geneva Steel Division, U. S. Steel Co.
[8] Richer ore to be used.
[9] Net addition.

STEEL INGOT EXPANSIONS

Armco Steel Corp. will get 180,000 net tons of open-hearth steel annually at Middletown, O., because of increased hot metal supply, sometime in December 1952.

Sheffield Steel Corp. will get 150,000 net tons of steel at Kansas City, Mo., from one new electric furnace, in April 1952.

Atlantic Steel Co., Atlanta, will get an additional 108,000 net tons of steel annually from one new electric furnace in May 1952.

Babcock & Wilcox Co., Beaver Falls, Pa., will have 68,650 additional tons of steel annually from one new electric furnace, in August 1952.

Central Iron & Steel Co., Harrisburg, Pa., will get 189,000 net tons of open-hearth steel annually from two new furnaces, in April 1953.

Phoenix Iron & Steel Co., Phoenixville, Pa., will get 220,320 net tons of open-hearth steel annually from two new furnaces, in April 1953.

Borg-Warner Corp., New Castle, Inc., will get 35,000 tons of steel from two new electric furnaces, in 1952.

Colorado Fuel & Iron Corp., will get 162,000 net tons of open-hearth steel annually at Pueblo, Colo., beginning in the fourth quarter of this year.

Claymont Steel Corp., Claymont, Del., will enlarge open hearths this year.

Connors Steel Co., Birmingham, will add 20,000 net tons annually to its production with one new electric furnace, in March 1952.

Continental Steel Corp., Kokomo, Ind., will enlarge furnaces and get 35,000 net tons of open-hearth steel annually by January 1954.

Crucible Steel Co. of America, at its Midland, Pa., works, will get 105,000 net tons of open-hearth steel annually from new and enlarged furnaces, in the fourth quarter of 1952, and 42,000 net tons of steel annually from a new electric furnace, in the second quarter of 1952.

Detroit Steel Corp., Portsmouth, O., will get 630,000 net tons of open-hearth steel annually after January 1953, through four new furnaces.

Henry Disston & Sons, Inc., Philadelphia, will get 5,000 net tons annually this year when it converts two electric furnaces to top chargers.

Eastern Stainless Steel Corp., Colgate, Md., will get 3,600 net tons annually from one new electric furnace, in September of this year.

Empire Steel Co., Mansfield, O., will get 80,000 net tons of open-hearth steel annually from one new furnace, in July of this year.

A. Finkl & Sons Co., Chicago, will get 60,000 tons of electric steel annually from two new furnaces, sometime this month.

Ford Motor Co., Dearborn, Mich., is converting one open hearth from tilting to stationary type, to be completed late this year. Ford will change charging facilities in its open-hearth shop in Dearborn next year.

Globe Iron Co., Jackson, O., will net 27,000 tons annually from a new electric furnace for silvery pig iron and ferroalloys, in April 1952.

Granite City Steel Co., Granite City, Ill., will get 480,000 net tons annually of open-hearth steel from three new furnaces, in the second quarter of 1953.

Green River Steel Co., Owensboro, Ky., will get 167,000 net tons of electric steel annually from two new furnaces, in June 1953.

Inland Steel Co., Indiana Harbor, Ind., will get 750,000 net tons annually from four new open-hearth furnaces, in the third quarter of this year. It will also net an additional 125,000 tons annually from open-hearth furnace enlargements in 1953.

Jones & Laughlin Steel Corp., will get 300,000 net tons annually from four new open hearths at Pittsburgh, in March of this year. J & L will retire three bessemers and six 50-ton open hearths this year, cutting its Pittsburgh Works capacity 800,000 tons.

Judson Steel Corp., Emeryville, Calif., will get 43,500 net tons annually from enlargement of open hearths and perhaps installation of electric furnaces, but a date is not set.

Latrobe Electric Steel Co., Latrobe, Pa., is considering additional facilities for electric steel, probably next year.

R. G. LeTourneau Inc. will get 30,000 net tons of steel annually from one new electric furnace at Longview, Tex., beginning March, 1952, and 60,000 net tons of steel annually from two new electric furnaces beginning July 1952, and January, 1953.

Lone Star Steel Co., Lone Star, Tex., will get 500,000 net tons of open-hearth steel annually from four new furnaces, beginning in the fourth quarter of 1952.

Lukens Steel Co., Coatesville, Pa., is considering an electric furnace project.

Midvale Co., Philadelphia, will get 49,291 net tons of open-hearth steel annually from one new furnace beginning March, 1952.

Great Lakes Steel Corp., at Ecorse, Mich., will get 580,000 net tons of open-hearth steel annually in 1952 from furnace enlargements and another 350,000 net tons of open-hearth steel annually in 1953 from furnace enlargements.

Newport Steel Corp., Newport, Ky., will get 144,000 net tons of steel beginning December, 1952, from one new electric furnace and conversion of an existing electric furnace.

Northwestern Steel & Wire Co., Sterling, Ill., will get 504,000 net tons of steel a year, beginning June, 1952, from two new giant electric furnaces.

Pacific States Steel Corp., Niles, Calif., will get 80,000 net tons of open-hearth steel annually from two new furnaces.

Pittsburgh Steel Co., at Monessen, Pa., will get 488,000 net tons of open-hearth steel annually in 1952 from four furnaces to be enlarged.

Republic Steel Corp., at South Chicago, Ill., will get 48,000 net tons of electric furnace steel annually from conversion of a furnace to top charging, and 675,000 net tons of open-hearth steel yearly beginning June 1952, from four new furnaces at Cleveland.

Seidelhuber Steel Rolling Mill Co., Seattle, will get 225,000 net tons of steel annually from one new electric furnace, beginning in 1953.

Tennessee Steel Corp., Oneida, Tenn., will get 192,000 net tons of steel from two new electric furnaces. Additionally there will be one small furnace for research.

Timken Roller Bearing Co., Canton, O., will get an annual production of 275,000 net tons of steel, beginning in the third quarter, 1952, from three new electric furnaces which will replace three open-hearth furnaces of 201,600 tons capacity.

For United States Steel Co.: Tennessee Coal & Iron Div., at Fairfield, Ala., will get 500,000 net tons of open-hearth steel annually from two new furnaces and improvement of existing facilities, in 1953. United States Steel Co., at Morrisville, Pa., will get 1.8 million net tons of open-hearth steel annually from nine new furnaces, beginning in the third quarter, 1952.

Vanadium-Alloys Steel Co. will get 3,300 net tons of steel annually, beginning in January 1953, from one new furnace at Monaca, Pa., to replace an old furnace.

Colonial Steel Co., Monaca, Pa., will get 12,500 net tons of steel a year from one new electric furnace, in 1952.

West Virginia Steel & Mfg. Co., Huntington, W. Va., will get 87,000 net tons of steel annually from one new electric furnace, beginning in the second quarter of 1952.

Wheeling Steel Corp, will have two bessemer converters with an annual capacity of 420,000 net tons in operation at Steubenville, O., in 1953.

Youngstown Sheet & Tube Co. will get 1,225,000 net tons of open-hearth steel in 1952 from eight new furnaces at East Chicago, Ind. They will replace two bessemer converters, leaving a net gain of 900,000 tons. Four of the open hearths will come in this spring, and the other four next fall.

Net total of the new additions, in net tons, is 10,907,561.

EXHIBIT 5

UNITED STATES DEPARTMENT OF COMMERCE

NATIONAL PRODUCTION AUTHORITY

Charles Sawyer, Secretary — Washington 25, D. C.

NPA–1773
Aluminum
M–5 Amended
Dirs. 1, 2, and 3 revoked

For Immediate Release
Wednesday, January 23, 1952

The National Production Authority, U. S. Department of Commerce, today announced a general revision of the aluminum order M–5, to adapt it to the Controlled Materials Plan. NPA simultaneously announced that all holders of CMP allotments will, upon application to the Aluminum and Magnesium Division, be guaranteed positions on a mill schedule.

The amendment of M–5 does not make any substantive changes in the existing regulations for the acceptance and scheduling of authorized controlled material (ACM) orders for aluminum products. The revised order supplements

CMP regulations, now in effect, by providing working rules for producers of aluminum controlled materials.

In announcing the policy that all holders of CMP tickets for aluminum will be guaranteed positions on a mill schedule if they have been unable to place their order, Timothy A. Lynch, Director of the NPA Aluminum and Magnesium Division, said:

"The possession of a CMP ticket will be regarded as a sufficient justification for positive action by the Aluminum and Magnesium Division in placing the order. No further justification will be required as has been the case in the past.

"In addition NPA will require mills and fabricators of aluminum products to accept exactly 100 percent of their authorized production schedules for each quarter, plus any carry-over of orders held by such mill or fabricator from the previous quarter.

"In other words, each producer will then have on his books, for delivery during the quarter, orders for 100 percent of his authorized production, plus carry-over orders from the preceding quarter.

"However, the Aluminum and Magnesium Division may, in cases where it appears advisable, increase the 100 percent level of order acceptance in individual cases."

Besides amending M–5 today, NPA revoked Directions 1, 2 and 3 to the order. Provisions of Direction 1 are now contained in the amended order with this change: the lead time for scheduling production of aluminum products has been reestablished at 60 days. Direction 1, in effect, had provided for a lead time of 45 days.

The carry-over provisions of Direction 3 have been superseded by a revision of Section 20 (f) of CMP Reg. 1. Direction 3 is therefore revoked sunce it is no longer applicable. Direction 2 to M–5 also has been revoked. It applied only to production in the fourth quarter of 1951.

Primary producers, secondary smelters and independent fabricators of aluminum are now assigned "AM" (aluminum-magnesium) numbers for use in identifying authorized controlled material orders which they will place with suppliers. Aluminum distributors are assigned AM order numbers under NPA Order M–88.

Other new provisions of M–5 are:

1. Production of aluminum in any calendar quarter will be carried out only in accordance with an authorized production schedule or directive previously issued by NPA in writing. Aluminum producers are prohibited from placing in production any order other than an authorized controlled material (ACM) order, or an order accepted or scheduled under specific direction or written authorization from NPA.

2. M–5 specifies that importers of aluminum controlled materials are prohibited from selling aluminum except to fill ACM orders. Previously, there were no restrictions on importers so far as selling aluminum was concerned. Now the person buying aluminum from an importer must furnish ACM tickets.

3. To receive an authorized production schedule, producers, secondary smelters and independent fabricators must apply to NPA on or before the 15th day of the quarterly period preceding the quarter for which the application is made. This application is made on NPAF–149, completed and filed in triplicate, with reference to M–5.

4. The applications must show each form and shape of aluminum which the applicant proposes to use in his production schedule. Upon review and approval of a production schedule, NPA will return a copy of the application showing the approved schedule for each form or shape authorized, and the quantity of materials allotted.

Further information may be obtained at Department of Commerce field offices.

(Texts of M–5 as amended and revocations of Directions 1, 2 and 3 are attached.)

M–5
As amended
Jan. 23, 1952
Correction

CORRECTION TO NPA ORDER M–5, AS AMENDED JANUARY 23, 1952

1. The last sentence in section 7 (a) of NPA Order M–5, as amended January 23, 1952, which provides for the completion and filing of Form NPAF–149 "in triplicate," is corrected so as to require the completion and filing of an original and three copies of this form. The last sentence should read, therefore, as follows:

"An original and three copies of Form NPAF-149, which may be secured from the Washington, D. C., office of NPA only, shall in each instance be completed and filed with the National Production Authority, Washington 25, D. C., Ref: M-5."

2. The reference to the symbol "DO-PM" in the ninth and thirteenth lines of section 8 (b) of this order is corrected by deleting the "DO" portion of such symbol so that the allotment symbol appearing in these lines shall read "PM."

M-5
As amended
Jan. 23, 1952
(M-5, Dir. 1, 2, and 3
Revocation, Jan. 23, 1952)

U. S. DEPARTMENT OF COMMERCE

NATIONAL PRODUCTION AUTHORITY

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER VI—NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

[NPA Order M-5 as amended January 23, 1952]

M-5—ALUMINUM

This amended order is found necessary and appropriate to promote the national defense and is issued pursuant to the Defense Production Act of 1950, as amended. In the formulation of this amended order, there has been consultation with industry representatives, including trade association representatives, and consideration has been given to their recommendations.

NPA Order M-5 as last amended July 6, 1951, is amended in its entirety. Directions 1, 2, and 3 previously issued, are revoked; the title of NPA Order M-5 is changed to "Aluminum" instead of "Rated Orders for Aluminum". As amended, NPA Order M-5 reads as follows:

Sec.

1. What this order does.
2. Definitions.
3. Revocation of directions heretofore issued.
4. Relation to other NPA orders and regulations.
5. Assignment and use of AM numbers.
6. Production of aluminum.
7. How production schedules are authorized.
8. Production material requirements of producers of aluminum.
9. Prohibition on shipment.
10. Restrictions on toll agreements.
11. Opening of books.
12. Acceptance of orders.
13. Reports on Form NPAF-167.
14. NPA assistance in placing orders.
15. Reports on Form NPAF-122.
16. Request for adjustment or exception.
17. Communications.
18. Records and reports.
19. Violations.

AUTHORITY: Sections 1 to 19 issued under sec. 704, 64 Stat. 816, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2154. Interpret or apply sec. 101, 64 Stat. 799, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2071; sec. 101, E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CFR, 1950 Supp.; sec. 2, E. O. 10200, Jan. 3, 1951, 16 F. R. 61; secs. 402, 405, E. O. 10218, Aug. 28, 1951, 16 F. R. 8789.

SECTION 1. *What this order does.* This order applies to primary producers, secondary smelters, independent fabricators, and importers of aluminum. It provides rules concerning the scheduling of production and shipment of aluminum. It sets forth the procedure by which aluminum producers receive the controlled materials which they require as production materials. The order authorizes the production of aluminum only in accordance with an authorized production schedule or production directive, and permits the production, shipment, or delivery of aluminum only when such production, shipment, or delivery is to fill an authorized controlled material order or is pursuant to an NPA directive. It also sets forth circumstances wherein an aluminum producer may reject an authorized controlled material order. It supplements the CMP regulations and supersedes the provisions of those regulations to the extent that they may be inconsistent with the provisions of this order as amended. The order also provides for the issuance

of directives to primary producers, secondary smelters, independent fabricators, distributors, and importers.

SEC. 2. *Definitions.* As used in this order:

(a) "Person" means any individual, corporation, partnership, association, or any other organized group of persons, and includes any agency of the United States Government or any other government.

(b) "NPA" means the National Production Authority.

(c) "Aluminum" means only the following aluminum forms and shapes:

Rolled bar, rod, wire (including drawn wire), structural shapes.
Aluminum cable steel reinforced (ACSR) and bare aluminum cable.
Insulated or covered wire or cable.
Extruded bar, rod, shapes, tubing (including drawn or welded tubing).
Sheet, strip, plate, foil.
Powder (atomized or flake, including paste).
Pig or ingot, granular or shot.

(d) "Pig" means aluminum of variable composition produced by the electrolytic reduction of alumina.

(e) "Pig or ingot, secondary" means any aluminum produced by a secondary smelter; or pig or ingot, granular or shot, produced by a primary producer in a secondary smelter operation.

(f) "Primary producer" means a person producing aluminum both in the form of pig and in any one or more of the other forms or shapes listed in paragraph (c) of this section.

(g) "Secondary smelter" means any person who remelts virgin metal or scrap to produce properly alloyed, refined, chemically tested, specification casting ingot, or deoxidizing or granular aluminum, and who has the equipment and technical knowledge necessary to perform this function without down-grading or waste; and includes a primary producer to the extent that he performs such function.

(h) "Independent fabricator" means any person (except a secondary smelter) who does not produce aluminum pig, but who produces aluminum for sale in any of the other forms and shapes listed in paragraph (c) of this section.

(i) "Importer" means a person who imports aluminum in the forms and shapes listed in paragraph (c) of this section either for his own account or for the account of another person.

(j) "Production directive" means a directive issued by NPA authorizing a primary producer, a secondary smelter, or an independent fabricator to produce during a designated period a specified quantity of any one or more of the aluminum forms and shapes listed in paragraph (c) of this section.

(k) "Authorized controlled material order" means a delivery order for any controlled material (as distinct from a product containing controlled material) which is placed pursuant to an allotment, as provided in section 19 of CMP Regulation No. 1, or which is specifically designated to be such by any other regulation or order of NPA.

(l) "AM number" means the allotment symbol AM, together with the number which is assigned by NPA, which is used by persons who produce, smelt, fabricate, or distribute aluminum in placing authorized controlled material orders for aluminum in accordance with the provisions of this order and of NPA Order M-88.

SEC. 3. *Revocation of directions heretofore issued.* Directions 1, 2, and 3 to NPA Order M-5, issued prior to the effective date of this order as amended, are being revoked concurrently with the issuance of this amended order. The revocation of these directions does not, however, relieve any person of any obligation or liability incurred under Directions 1, 2, and 3 to NPA Order M-5 heretofore issued, nor deprive any person of any rights received or accrued under said directions prior to the effective date of such revocation.

SEC. 4. *Relation to other NPA orders and regulations.* All provisions of any NPA regulation or order are superseded to the extent that such provisions are inconsistent with this order, but in all other respects the provisions of such regulations and orders shall remain in full force and effect.

SEC. 5. *Assignment and use of AM numbers.* AM numbers are assigned by NPA, upon application in writing, to primary producers, secondary smelters, and independent fabricators of aluminum, and are used to identify authorized controlled material orders for aluminum placed by such persons. (NPA Order M-88 describes the assignment and use of AM numbers by distributors of aluminum.)

SEC. 6. *Production of aluminum.* (a) No person shall, in any calendar quarter, produce any aluminum unless such production is pursuant to an authorized production schedule or directive previously issued in writing by NPA for the production of such materials in that calendar quarter.

(b) After the effective date of this order, no producer of aluminum shall place into production any order for the delivery of aluminum, unless such order is an authorized controlled material order, or an order which he has accepted or scheduled pursuant to specific directive or written authorization by NPA.

(c) No aluminum producer, secondary smelter, or independent fabricator shall be required to accept any authorized controlled material order for less than the mill quantities set forth in Schedule IV of CMP Regulation No. 1 or which is placed within less time than the "lead time" specified in Schedule III of CMP Regulation No. 1.

SEC. 7. *How production schedules are authorized.* (a) Every primary producer, secondary smelter, and independent fabricator shall, on or before January 15, 1952, complete and file with NPA on Form NPAF–149, an application for an authorized production schedule for the second calendar quarter of 1952. (This was required by letter CMPL–299, dated December 11, 1951.) For each subsequent calendar quarter the application for an authorized production schedule shall be made by the completion and filing of Form NPAF–149 on or before the fifteenth day of the first month of the calendar quarter preceding the calendar quarter for which the application is made. Form NPAF–149, which may be secured from the Washington, D. C., office of NPA only, shall in each instance be completed and filed in triplicate with the National Production Authority, Washington 25, D. C., Ref: M–5.

(b) Each person who is required by paragraph (a) of this section to file Form NPAF–149 will enter thereon, for each form and shape of aluminum listed, his proposed production schedule and, if applicable, the aluminum production materials which he requires to fulfill the proposed production schedule in accordance with the instructions accompanying the form. NPA, after review of the Form NPAF–149, will set forth on a copy thereof, which will be returned to the applicant, the approved production schedule for each form or shape listed, and the quantity of aluminum production materials which are allotted for such production. Such production schedules and related allotments may be made on a quarterly or monthly basis, or at such other intervals as NPA may from time to time deem appropriate.

(c) In addition to the procedure outlined in paragraph (b) of this section for the authorization of production schedules for producers of aluminum, NPA may from time to time issue production directives and related allotments to producers of aluminum which by their terms may amend, suspend, or supersede the authorized production schedules issued on Form NPAF–149. These production directives and related allotments may be issued on either a monthly or quarterly basis and may concern the production of any or all of the forms or shapes of aluminum. In each instance in which such a production directive and related allotment is issued it will by its terms define the relationship of the directive to the authorized production schedule issued or to be issued.

SEC. 8. *Production material requirements of producers of aluminum.* (a) A producer of aluminum may order the aluminum production materials allotted to him on Form NPAF–149 or by directive, in accordance with the provisions of section 19 of CMP Regulation No. 1. In ordering such materials he shall use the allotment symbol AM together with his AM number.

(b) A producer of aluminum who requires steel controlled materials or aluminum cores for packaging aluminum foil as production materials (as defined in section 21 of CMP Regulation No. 1) for use in the fulfillment of his authorized production schedule, is hereby authorized to use the allotment symbol DO–PM to obtain such production materials: *Provided, however,* That no person who produces aluminum cable steel reinforced (ACSR) shall use the allotment symbol DO–PM to obtain in any calendar quarter for his production of that material a greater quantity of steel by weight than 37 percent of the gross metal weight of the aluminum cable steel reinforced (ACSR) that he is to produce in that calendar quarter pursuant to his authorized production schedule.

(c) All orders for which the use of the allotment symbols AM or PM are authorized by this section are hereby designated as authorized controlled material orders, and shall be certified in accordance with the provisions of section 19 (c) of CMP Regulation No. 1. The certification of such orders shall be signed as provided in NPA Reg. 2, and shall constitute a representation that, subject to the criminal penalties provided for in the United States Code, Title 18 (Crimes) section 1001, such person is authorized by this section to make the certification for the quantity of steel or aluminum ordered in connection therewith.

(d) The self-authorization procedure by which a producer of aluminum obtains production materials (other than controlled materials) is described in Direction 2 to CMP Regulation No. 1.

SEC. 9. *Prohibition on shipment.* Except as provided in NPA Order M–88 and NPA Order M–89, no primary producer, secondary smelter, independent fabricator, distributor, or importer shall accept any orders for aluminum or ship any aluminum except pursuant to a valid authorized controlled material order, or pursuant to a directive by NPA.

SEC. 10. *Restrictions on toll agreements.* Except for those materials which were received by a producer of aluminum before January 15, 1952, no aluminum shall be delivered or received pursuant to any existing or future toll, conversion, or repurchase agreement, or any similar arrangement, without the prior written approval of NPA.

SEC. 11. *Opening of books.* Each producer of aluminum shall open his order books for the purpose of accepting authorized controlled material orders no later than 105 days prior to the first day of each calendar quarter for which such orders are valid. An aluminum producer may open his order books for the purpose of accepting purchase orders for any calendar quarter as long in advance of such quarter as he may choose, but after his order books are open he shall accept orders as provided in section 12 of this order.

SEC. 12. *Acceptance of orders.* (a) Until 75 days prior to the first day of the month in which delivery is requested, and subject to the provisions of paragraph (b) of this section, a producer of aluminum shall have the option of determining which authorized controlled material orders or portions thereof he will accept and schedule without regard to the dates of receipt of such orders: *Provided, however,* That the total of the orders which he accepts for any aluminum product does not exceed 85 percent of the level of production he has scheduled for such product for the month in which delivery is requested in order to complete his authorized production schedule or to comply with the production directive he received from NPA. In the event that such a person has not received either an authorized production schedule or a production directive for any month for which he received an authorized controlled materials order requesting delivery, he shall compute the foregoing 85 percent limitation on the acceptance of orders on the following basis (1) A primary producer shall assume an authorized production schedule or production directive requiring the same production as was directed for the previous quarter, and therefore schedule his monthly production so as to meet such a quarterly production level. (2) A secondary smelter shall assume his maximum production from the production materials he expects to have available. (3) An independent fabricator shall assume that the same quantity of aluminum will be allocated to him as was allocated to him in the previous quarter.

(b) During the period of time in which a producer of aluminum may reject orders in accordance with paragraph (a) of this section, and until such time as he has accepted orders up to the 85 percent maximum limitation contained in paragraph (a) of this section, he may not reject any order bearing the allotment symbol A, B, C, E, AM, or Z–2 which has been offered to him; and shall comply with all NPA directives which have been issued to him.

(c) An aluminum producer shall accept or reject and return all purchase orders tendered to him promptly after receipt of such orders. Upon such acceptance or rejection he shall immediately notify the person who tendered the same of such acceptance or rejection in writing or by telegram. For the purpose of the first sentence of this section the word "promptly" shall be deemed to mean as quickly as possible, but in no event later than 13 consecutive calendar days after receipt. For the purpose of the first sentence of this paragraph receipt of an order shall not be deemed to have occurred until the order is received at the place where the producer usually acknowledges and schedules such orders. This provision is intended to give those persons whose orders have been rejected an opportunity to place their orders with other producers or with distributors.

(d) Within the period of 75 to 60 days prior to the first day of the month in which delivery is requested, and subject to the provisions of paragraph (g) of this section, each producer of aluminum shall accept all authorized controlled material orders offered to him (subject to the provisions of CMP Regulation No. 3) until he has thereby committed 100 percent of the proposed production necessary to fulfill his authorized production schedule or production directive. This requirement is subject to the provisions of section 20 of CMP Regulation No. 1.

(e) At such time as an aluminum producer has fully complied with the provisions of paragraph (d) of this section he shall not accept any additional orders unless he is specifically directed to do so by NPA.

(f) The percentages referred to in paragraphs (a), (b), and (d) of this section shall be calculated by each aluminum producer for each calendar quarter on the basis of the authorized production schedule and production directives is-

sued to him for that celendar quarter regardless of the quantities of aluminum he expects to produce or ship in that quarter to fill orders carried over from a previous calendar quarter.

(g) No primary producer shall accept any order for "pig or ingot other than secondary" to be used for any purpose for which "pig or ingot, secondary" is suitable.

SEC. 13. *Reports on Form NPAF–167.* Each primary producer, secondary smelter, and independent fabricator of aluminum shall, on or before the fifteenth day of each month, complete and file Form NPAF–167, in accordance with the instructions accompanying the form, setting forth the quantity of aluminum for which he has accepted authorized controlled material orders, the quantity of aluminum for which he has not yet accepted such orders, and the estimated quantity of aluminum he expects to ship against past due unfilled orders. These forms may be secured from the Washington office of NPA and shall in each instance be completed and filed in duplicate with the Bureau of the Census, Industry Division, Washington 25, D. C. A separate report is required for each of the aluminum forms and shapes listed in section 2 (c) of this order.

SEC. 14. *NPA assistance in placing orders.* Any person who is entitled to place an authorized controlled material order for aluminum and who has been unable to place any such order may apply to NPA for assistance in placing such orders. Application should be made on Form NPAF–148. These forms may be obtained from Department of Commerce field offices, NPA industry divisions, or the Office of Small Business of NPA. The form, which provides space for the applicant's name and address, the allotment symbol he is authorized to use, his allotment record, his previous purchase record, his experience in attempting to place orders, and other pertinent data, shall be filled out completely and mailed to the National Production Authority, Washington 25, D. C., Ref: M–5.

SEC. 15. *Reports on Form NPAF–122.* (a) Each primary producer, secondary smelter, independent fabricator, or importer, who sells aluminum in the regular course of business, shall each month complete and file Form NPAF–122 in accordance with the instructions accompanying the form. The form shall be completed in duplicate and filed on or before the tenth day of each month by mailing to the Bureau of the Census, Industry Division, Washington 25, D. C., Ref: NPA Order M–5.

(b) Any other person who in any month receives for resale or sells any aluminum shall file Form NPAF–122 for that month in accordance with the instructions accompanying that form.

SEC. 16. *Request for adjustment or exception.* Any person affected by any provision of this order may file a request for adjustment or exception upon the ground that his business operation was commenced during or after the base period, that any provision otherwise works an undue or exceptional hardship upon him not suffered generally by others in the same trade or industry, or that its enforcement against him would not be in the interest of the national defense or in the public interest. In examining requests for adjustment or exception claiming that the public interest is prejudiced by the application of any provision of this order, consideration will be given to the requirements of the public health and safety, civilian defense, and dislocation of labor and resulting unemployment that would impair the defense program. Each request shall be in writing, by letter in triplicate, and shall set forth all pertinent facts, the nature of the relief sought, and the justification therefor.

SEC. 17. *Communications.* All communications concerning this order shall be addressed to the National Production Authority, Washington 25, D. C., Ref: NPA Order M–5.

SEC. 18. *Records and reports.* (a) Each person participating in any transaction covered by this order shall make and preserve, for at least 3 years thereafter, accurate and complete records of receipts, deliveries, inventories, production, and use, in sufficient detail to permit the determination, after audit, whether each transaction complies with the provisions of this order. This order does not specify any particular accounting method and does not require alteration of the system of records customarily used, provided such records supply an adequate basis for audit. Records may be retained in the form of microfilm or other photographic copies instead of the originals by those persons who, at the time such microfilm or other photographic records are made, maintain such copies of records in the regular and usual course of business.

(b) All records required by this order shall be made available for inspection and audit by duly authorized representatives of the National Production Authority at the usual place of business where maintained.

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(c) Persons subject to this order shall make such records and submit such other reports to the National Production Authority as it shall require, subject to the terms of the Federal Reports Act of 1942 (5 U. S. C. 139–139F).

SEC. 19. *Violations.* Any person who wilfully violates any provision of this order, or any other order or regulation of NPA, or who wilfully furnishes false information or conceals any material fact in the course of operation under this order, is guilty of a crime and upon conviction may be punished by fine or imprisonment or both. In addition, administrative action may be taken against any such person to suspend his privilege of making or receiving further deliveries of materials or using facilities under priority or allocation control and to deprive him of further priorities assistance.

NOTE: All reporting and record-keeping requirements of this order have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

This order as amended shall take effect January 23, 1952.

NATIONAL PRODUCTION AUTHORITY,
By JOHN B. OLVERSON, *Recording Secretary.*

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER VI—NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

[NPA Order M-5, Directions 1, 2, and 3—Revocation]

M-5—RATED ORDERS FOR ALUMINUM

DIR. 1—ORDER ACCEPTANCE

DIR. 2.—RESERVATION OF FOURTH QUARTER PRODUCTION

DIR. 3—SHIPMENTS ON AND AFTER OCTOBER 1, 1951

Directions 1 (16 F. R. 9087, 12511), 2 (16 F. R. 9723), and 3 (16 F. R. 10083) to NPA Order M-5 are hereby revoked. The revocation of these directions to NPA Order M-5 does not relieve any person of any obligation or liability incurred thereunder, nor deprive any person of any rights received or accrued under said directions prior to the effective date of their revocation, except as such directions are limited by NPA Order M-5 as amended January 23, 1952.

(Sec. 704, 64 Stat. 816, as amended; 50 U. S. C. App. Sup. 2154)

This revocation is effective January 23, 1952.

NATIONAL PRODUCTION AUTHORITY,
By JOHN B. OLVERSON, *Recording Secretary.*

EXHIBIT 6.—COPPER DIVISION, ORGANIZATION CHART

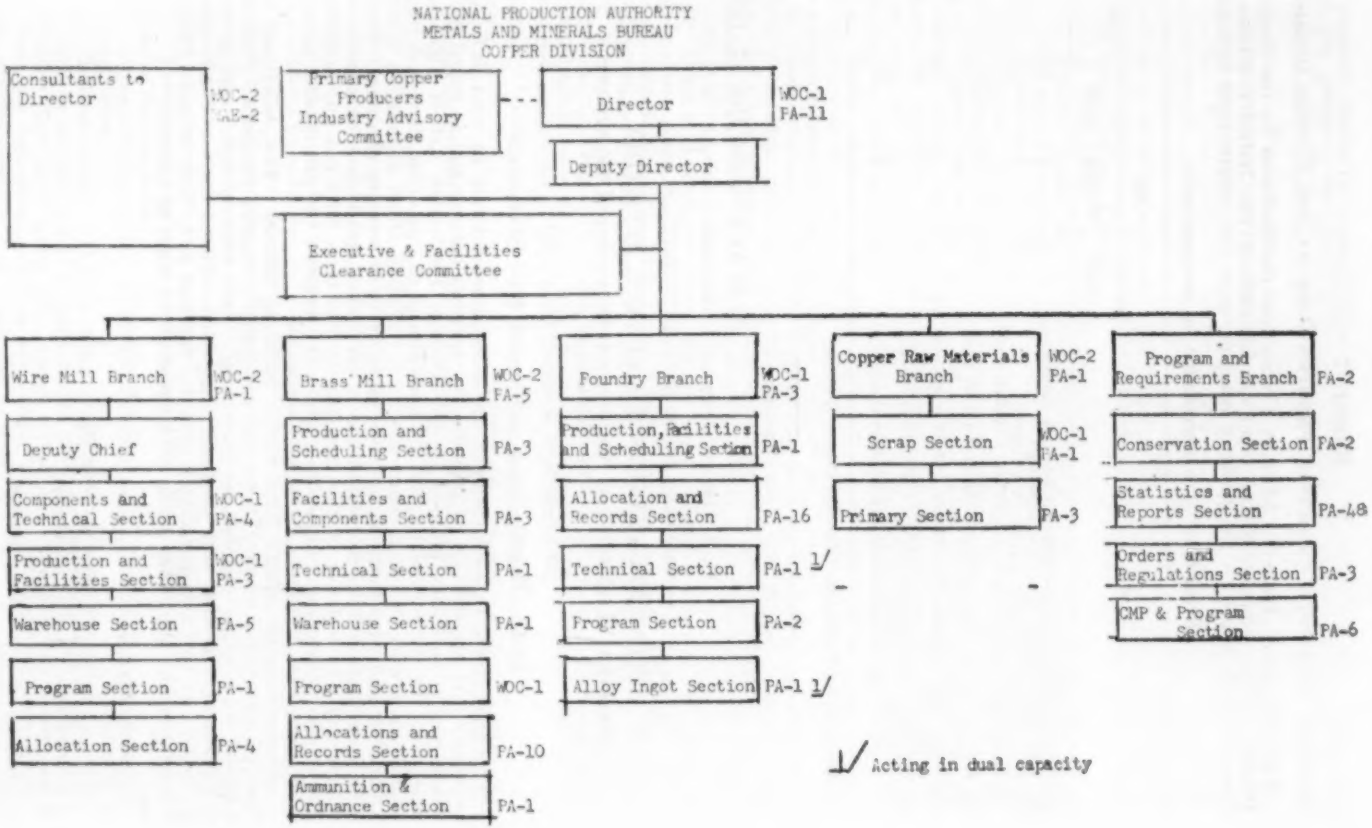

EXHIBIT 7

INDUSTRY ADVISORY COMMITTEES PRESIDED OVER BY THE COPPER DIVISION

There are seven Industry Advisory Committees presided over by the Copper Division. The selection of the members for each of the Industry Advisory Committees is made on the basis of company size and geographical location.

Breakdown of representation by company size

	Size			Total
	Large	Medium	Small	
(A) Primary Copper Producers Industry Advisory Committee	5	3	1	9
(B) Brass Mill Industry Advisory Committee	5	5	5	15
(C) Wire and Cable Industry Advisory Committee	4	5	5	14
(D) Brass and Bronze Foundries Industry Advisory Committee	3	6	5	14
(E) Brass and Bronze Ingot Makers Industry Advisory Committee	2	4	7	13
(F) Brass Mill Products Distributors Industry Advisory Committee	5	4	5	14
(G) Electrical Apparatus and Supply Distribution Industry Advisory Committee	7	2	5	14
(H) Copper Powder Producers Industry Advisory Committee	5	3	6	14

Source: National Production Authority, Copper Division.

EXHIBIT 8

M–16 As Amended Dec. 17, 1951

U. S. DEPARTMENT OF COMMERCE

NATIONAL PRODUCTION AUTHORITY

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER VI—NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

[NPA Order M–16, as amended Dec. 17, 1951]

M–16—DISTRIBUTION OF COPPER RAW MATERIALS

This amendment to NPA Order M–16, as last amended July 13, 1951, is found necessary and appropriate to promote the national defense and is issued pursuant to the authority granted by the Defense Production Act of 1950, as amended. In the formulation of the amendment of this order there has been consultation with industry representatives, including trade association representatives, and consideration has been given to their recommendations. However, consultation with representatives of all trades and industries affected in advance of the issuance of this amendment has been rendered impracticable due to the necessity for immediate action and because the amendment affects a large number of different trades and industries.

This amendment affects NPA Order M–16 as follows: The definitions of "copper wire mill products," brass mill products," "foundry products," "refined copper," and "other copper-base alloy scrap" have been changed, and a new definition of "powder mill products" has been added. Section 3 has been amended and two new paragraphs added. Sections 5, 6, 7, 8, 9, and 11 have been amended. As so amended, NPA Order M–16 reads as follows:

Sec.

1. What this order does.
2. Definitions.
3. Acceptance of delivery of copper raw materials.
4. Restrictions on disposal of scrap.
5. Restrictions on inventory accumulations.
6. Restrictions on toll agreements.
7. Authorizations and directives.
8. Applications for adjustment or exception.
9. Records and reports.
10. Communications.
11. Violations.

AUTHORITY. Sections 1 to 11 issued under sec. 704, 64 Stat. 816, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2154. Interpret or apply sec. 101, 64 Stat. 799, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2071; sec. 101, E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CRF, 1950 Supp.; sec. 2 E. O. 10200, Jan 3, 1951, 16 F. R. 61; secs. 402, 405, E. O. 10281, Aug. 28, 1951, 16 F. R. 8789.

SECTION 1. *What this order does.* The purpose of this order is to regulate the acceptance, delivery, and distribution of all copper raw materials (whether on toll agreements or otherwise) so as to provide an equitable distribution of such materials. It sets forth the classes of persons who may receive such materials without specific authorization from the National Production Authority and the types of copper raw materials such persons may so receive, and provides for application by all other persons to the National Production Authority for specific written authorization. It also limits toll agreements covering scrap and prohibits undue accumulation of scrap.

SEC. 2. *Definitions.* As used in this order:

(a) "Person" means any individual, corporation, partnership, association, or any other organized group of persons, and includes any agency of the United States or any other government.

(b) "Copper" means unalloyed copper, including electrolytic copper, fire-refined copper, and all unalloyed copper in any form.

(c) "Copper-base alloy" means any alloy in the composition of which the percentage of copper metal equals or exceeds 40 percent by weight of the metallic content of the alloy. It includes fired and demilitarized cartridge and artillery cases, and all copper-base alloy in any form. It does not include alloyed gold produced in accordance with U. S. Commercial Standard CS 67–38.

(d) "Scrap" means all copper or copper-base alloy materials or objects which are the waste or byproduct of industrial fabrication, or which have been discarded on account of obsolescence, failure, or other reason.

(e) "Copper wire mill product" means uninsulated or insulated wire and cable, whatever the outer protective coverings may be, made from copper or copper-base alloy, and also copper-clad steel wire containing over 20 percent copper by weight, regardless of end use. All copper wire mill products should be measured in terms of pounds of copper content.

(f) "Brass mill products" means copper and copper-base alloys in the following forms: sheet, plate, and strip in flat lengths or coils; rod, bar, shapes, and wire, except copper wire mill products; and rolled anodes, seamless tube, and pipe. Straightening, threading, chamfering and cutting to width and length, and reduction in gage, do not constitute changes in form of brass mill products except as determined by NPA. The following related products which have been produced by a change in form of brass mill products are not included in the definition of brass mill products:

Circles.
Discs.
Cups.
Blanks and segments.
Forgings.
Welding rod, 3 feet or less in length.
Rotating bands.
Tube and nipples—welded, brazed, or mechanically seamed.
Formed flashings.
Engravers' copper.

Allotments for the purpose of producing such related products shall be in terms of the estimated weight of the brass mill product from which such related product is made.

(g) "Foundry product" means cast copper or copper-base alloy shapes and forms suitable for ultimate use without remelting, rolling, drawing, extruding, or forging. (The process of casting includes the removal of gates, risers, and sprues, and sandblasting, tumbling, or dipping, but does not include any further machining or processing. For centrifugal castings the process includes the removal of the rough cut in the inner or outer diameter, or both, before delivery to a customer. Castings include anodes cast in a foundry or by an ingot maker).

(h) "Powder mill products" means copper or copper-base alloy in the form of granular or flake powder.

(i) "Copper raw materials" as used in this order includes the following materials as defined below:

(1) "Refined copper"—Copper metal which has been refined by any process of electrolysis or fire-refining to a grade and in a form suitable for fabrication, such as cathodes, wire bars, ingot bars, ingots, cakes, billets, or other refined shapes. This does not include copper-base alloy ingot, brass mill castings, intermediate shapes, anodes, powder mill products, copper wire mill products, brass mill products, or foundry copper or copper-base alloy products.

(2) "Brass mill scrap"—Uncontaminated scrap which is the waste or by-product of the production or industry fabrication of brass mill products or copper wire mill products. It includes uncontaminated fired and demilitarized cartridge and artillery cases.

(3) "Other copper-base alloy scrap"—Alloyed copper scrap other than brass mill scrap. It includes contaminated fired and demilitarized cartridge and artillery cases.

(4) "Other unalloyed copper scrap"—Unalloyed copper scrap other than brass mill scrap.

(5) "Fired and demilitarized cartridge and artillery cases"—Fired and demilitarized cartridge and artillery cases which have been manufactured from brass mill products and are not contaminated.

(6) "Brass mill casting"—A copper-base alloy casting, from which brass mill or intermediate shapes may be rolled, drawn, or extruded, without remelting.

(7) "Copper-base alloy ingot"—A copper-base alloy used in remelting, alloying, or deoxidizing operations.

(8) "Copper or copper-base alloy shot and waffle"—Shot or waffle produced from copper or copper-base alloy, and to be used in remelting, alloying, deoxidizing, or chemical operations.

(9) "Intermediate shape"—Any product which has been rolled, drawn, or extruded, from refined copper or brass mill castings, and which will be rerolled, redrawn, insulated, or further processed into finished brass mill or copper wire mill products by other producers of copper or copper-base alloy controlled materials.

(10) "Copper precipitates (or cement copper)"—Copper metal precipitated rom mine water by contact with iron scrap, tin cans, or iron in other forms.

SEC. 3. *Acceptance of delivery of copper raw materials.* (a) Commencing August 1, 1951, no person may accept delivery of any copper raw materials, including those which are processed on a toll basis in accordance with section 6 of this order, except railroad engine castings and car journal bearings pursuant to section 6 (b) of this order or except as specifically authorized in writing by the National Production Authority: *Provided, however,* That a person listed in column (A) of the table set forth at the end of this paragraph may accept delivery of the copper raw materials specified in the corresponding section of column (B) of the table without such written authorization. In those sections of column (B) where no copper raw material is specified but a form is indicated, persons desiring copper raw materials shall apply on such form for written authorization not later than the tenth day of the month preceding the month in which delivery is sought. Notwithstanding the provisions of this paragraph, foundries using less than 10,000 pounds of copper raw materials per month shall apply on Form NPAF–83 on or before January 10, 1952, for an allocation for the second and third calendar quarters of 1952, and on or before July 10, 1952, for an allocation for the fourth quarter of 1952 and the first quarter of 1953. Foundries using 10,000 pounds or more, but less than 100,000 pounds, of copper raw materials per month shall apply for quarterly allocations on Form NPAF–83 by the tenth day of the month preceding the first, second, third, and fourth calendar quarters of 1952. Foundries using 100,000 pounds or more of copper raw materials per month shall apply on Form NPAF–83 by the tenth day of the month preceding that in which delivery is sought. Such application must furnish all information required by the form.

(A)	(B)
(1) Refiner—Any person who produces refined copper. This includes any person who converts copper-clad or copper-base, or copper-base alloy-clad steel scrap into refined copper.	(1) Other unalloyed copper scrap; other copper-base alloy scrap; refined copper.
(2) Scrap dealer and broker—Any person regularly engaged in the business of buying and selling scrap, but who does not melt such scrap.	(2) Other unalloyed copper scrap [1]; other copper-base alloy scrap [1]; brass mill scrap [1]; contaminated fired and demilitarized cartridge and artillery cases [1].
(3) Jobber dealer—Any person who receives physical delivery of refined copper, copper-base alloy ingot, or copper or copper-base alloy shot, and sells or holds the same for sale without change in form.	(3) None (apply on Form NPAF-83).
(4) Exporter—Any person who exports copper raw materials.	(4) None (apply on Form NPAF-83 and give export license number).
(5) Brass mill—Any person who produces brass mill products, brass mill castings, or intermediate shapes.	(5) None (apply on Form NPAF-83).
(6) Copper wire mill—Any person who produces copper wire mill products or intermediate shapes.	(6) None (apply on Form NPAF-83).
(7) Brass and bronze foundry—Any person who produces foundry copper or copper-base alloy products.	(7) None [2] (apply on Form NPAF-83).
(8) Ingot maker—Any person who produces copper-base alloy ingot for delivery as such.	(8) None [2] (apply on Form NPAF-83).
(9) Miscellaneous producer—Any person, not falling in one of the classes described above, who requires copper raw materials in his regular production operation. Examples: Chemical plants, iron foundries, aluminum foundries, electrotypers, producers of copper and copper-base alloy powder.	(9) None (apply on Form NPAF-83).
(10) Scrap generator—Any person, other than a scrap dealer, who in his normal operations generates or accumulates scrap or copper-clad or copper-base alloy-clad steel scrap, but who is not in the business of producing copper raw materials, copper wire mill products, brass mill products, powder mill products, or foundry copper or copper-base alloy products.	(10) None.
(11) All other persons.	(11) None.

[1] See also section 5 (b) of this order.
[2] Foundries and ingot makers may exchange among themselves, and with each other, copper-base alloy ingot on an equivalent copper content basis without charging such deliveries against their authorizations.

(b) Any person who receives written authorization to accept delivery of copper raw materials shall furnish to his supplier a signed certification in substantially the following form:

The undersigned certifies, subject to statutory penalties, that acceptance of delivery of the copper raw materials herein ordered is permitted pursuant to NPA Authorization No. _____.

This certification constitutes a representation by the purchaser to the seller, and to the National Production Authority, that delivery of the copper raw materials may be accepted by the purchaser pursuant to the indicated written authorization.

(c) Notwithstanding the provisions of paragraph (a) of this section, a person may, during the calendar quarter commencing July 1, 1951, and each calendar quarter thereafter, receive copper raw materials without specific authorization of the National Production Authority, provided:

(1) That his total receipts of all copper raw materials from all sources during that calendar quarter do not exceed 300 pounds copper content, and

(2) That he furnishes to the person who supplies the material a signed certification in substantially the following form:

The undersigned hereby certifies, subject to statutory penalties, that receipt of the copper raw materials herein ordered in the calendar quarter requested will not bring his total receipts during that quarter above 300 pounds copper content.

This certification constitutes a representation by the purchaser to the seller, and to the National Production Authority, that delivery of such copper raw materials may be accepted by the purchaser pursuant to this order.

(d) Except with the written permission of the National Production Authority (1) no refiner, scrap dealer, jobber dealer, ingot maker, or other person dealing in copper raw materials, may deliver any copper raw materials to a refiner, scrap dealer, or broker, except the type of copper raw materials that such refiners, scrap dealers, or brokers are permitted to receive without authorization pursuant to paragraph (a) of this section, and (2) no person shall deliver copper raw materials

to any person other than a refiner, scrap dealer, or broker without first having received from such person the certification set forth in paragraph (b) or paragraph (c) of this section.

(e) The provisions of this section apply not only to acceptance of delivery by a person from other persons, including affiliates and subsidiaries, but also to acceptance of delivery by a branch, division, or section of a single enterprise which produces copper controlled materials from a branch, division, or section of the same or any other enterprise under common ownership or control which does not produce copper controlled materials.

SEC. 4. *Restrictions on disposal of scrap.* (a) No person other than establishments of the United States Army, Navy, or Air Force, such as arsenals, navy yards, gun factories, and depots, or a person who is in the business of producing copper raw materials (such as refineries, ingot makers, copper wire mills, brass mills, or foundries), or a person who qualifies as a "Miscellaneous producer" as listed in Column A under section 3 of this order, shall melt or process any scrap or copper-base alloy-clad steel scrap generated in his plant through fabrication, or accumulated in his operations through obsolescence, except as specifically authorized in writing by the National Production Authority, nor shall he dispose of such materials in any way other than by delivery to a person authorized by this order to accept delivery.

(b) No person shall dispose of any material, the delivery of which he accepted as scrap, other than as scrap, except with the specific authorization of the National Production Authority: *Provided, however,* That scrap dealers and brokers may sell in each month as usable material a quantity of material that was acquired as scrap and does not in the aggregate exceed 1,000 pounds (copper content).

(c) Nothing contained in this order shall prohibit any public utility from using "as is," in its own operation, copper wire or cable which has become scrap by obsolescence.

SEC. 5. *Restrictions on inventory accumulations.* (a) Unless specifically authorized by the National Production Authority, no person who generates scrap in his operations through fabrication, manufacture, or obsolescene shall keep on hand more than 30 days' accumulation of scrap or copper-clad or copper-base alloy-clad steel scrap unless such accumulation aggregates less than 2,000 pounds.

(b) No scrap dealer may accept delivery of any kind, grade, or type of scrap if his total inventory of scrap (including inventory not physically located in the dealer's yard or plant) is, or by such receipt would become, in excess of the weight of his total deliveries of scrap during the preceding 60-day period.

(c) The provisions of paragraph (a) of this section shall not apply to the establishments of the United States Army, Navy, or Air Force, such as arsenals, navy yards, gun factories, and depots: *Provided, however,* That such establishments shall report to the National Production Authority by August 10, 1951, with respect to July, and by the tenth day of each month thereafter with respect to the preceding month, the quantity and type of scrap at each such location.

SEC. 6. *Restrictions on toll agreements.* (a) Commencing on December 18, 1950, and unless the person delivering or owning the scrap, or the person for whose benefit the conversion, remelting, or other processing of the scrap will be effected, has received the approval of the National Production Authority, no person shall deliver scrap, and no person shall accept such scrap, for converting, remelting, or other processing into electrolytic or fire-refined copper under any existing or future toll agreement, conversion agreement, or other arrangement by which title to the scrap remains vested in the person delivering or owning the scrap, or pursuant to which unalloyed copper in any quantities, equivalent or otherwise, is to be returned to the person delivering or owning the scrap. The provisions of this paragraph will apply with equal effect to any agency relationship which would result in a toll arrangement as described in this paragraph.

(b) Commencing on July 15, 1951, and unless the person delivering or owning the refined copper or scrap, or the person for whose benefit the conversion, remelting, or other processing of the refined copper or scrap will be effected, has received the written approval of the National Production Authority, no person shall deliver refined copper or scrap, and no person shall accept same, for converting, remelting, or other processing into copper wire mill products, brass mill products, foundry products, copper-base alloy ingot, or other miscellaneous products under any existing or future toll agreement, conversion agreement, or other arrangement by which title to the refined copper or scrap remains vested in the person delivering or owning the refined copper or scrap, or pursuant to which copper wire mill products, brass mill products, foundry products, copper-base alloy ingot, or other miscellaneous products in any quantities, equivalent

or otherwise, is to be returned to the person delivering or owning the refined copper or scrap. The provisions of this paragraph will apply with equal effect to any agency relationship which would result in a toll arrangement hereinabove described. Nothing contained in this paragraph shall prohibit railroads from converting or having converted for them, railroad engine castings and car journal bearings for their own use.

(c) Persons requesting such approval shall file with the National Production Authority a letter setting forth the names and addresses of the parties to any existing or proposed toll or conversion agreement; the kind, grade, and form of the refined copper or scrap involved; the tonnage of the refined copper or scrap and the estimated tonnage of the electrolytic or fire-refined copper, copper wire mill products, brass mill products, foundry products, copper-base alloy ingot, or other miscellaneous products resulting; the estimated rate and dates of delivery of such copper or copper products; the length of time such agreement or other similar agreement between the same parties has been in force; the duration of the agreement; the purpose for which such copper or copper products are to be used; and such other information as the applicant may wish to submit.

SEC. 7. *Authorizations and directives.* The National Production Authority may issue authorizations or directives from time to time with respect to the delivery, disposal, and conversion of copper raw materials. Such authorizations and directives shall be complied with by the recipients thereof.

SEC. 8. *Applications for adjustment or exception.* Any person affected by any provision of this order may file a request for adjustment or exception upon the ground that any provision works an undue or exceptional hardship upon him not suffered generally by others in the same trade or industry, or that its enforcement against him would not be in the interest of the national defense or in the public interest. In examining requests for adjustment claiming that the public interest is prejudiced by the application of any provision of this order, consideration will be given to the requirements of the public health and safety, civilian defense, and dislocation of labor and resulting unemployment that would impair the defense program. Each request shall be in writing, by letter in triplicate, and shall set forth all pertinent facts, the nature of the relief sought, and the justification therefor.

SEC. 9. *Records and reports.* (a) Each person participating in any transaction covered by this order shall make and preserve, for at least 3 years thereafter, accurate and complete records of receipts, deliveries, inventories, production, and use, in sufficient detail to permit the determination, after audit, whether each transaction complies with the provisions of this order. This order does not specify any particular accounting method and does not require alteration of the system of records customarily used, provided such records supply an adequate basis for audit. Records may be retained in the form of microfilm or other photographic copies instead of the originals by those persons who, at the time such microfilm or other photographic records are made, maintain such copies of records in the regular and usual course of business.

(b) All records required by this order shall be made available at the usual place of business where maintained for inspection and audit by duly authorized representatives of the National Production Authority.

(c) Any person who uses or processes copper or copper-base alloy in his operations and who falls within the general classification set forth in Column A of the table at the end of this paragraph shall complete and return the Bureau of Mines form identified in the corresponding section of Column B of the table to the address specified on the form, in the number of copies specified on the form, on or before the twentieth day of July 1951 with respect to such use or processing during June 1951, and on or before the fifteenth day of each succeeding month with respect to such use or processing during the preceding month except that the form indicated under item 5 in the table at the end of this paragraph shall be filed on or before February 28, 1952, with respect to operations during the year 1951.

(A)	(B)
(1) Brass ingot makers and miscellaneous remelters	6-1115-M.
(2) Brass mills and copper wire mills	6-1115-MS.
(3) Primary smelters	6-1045-M.
(4) Primary refiners	6-1046-M.
(5) Brass mills,[1] copper wire mills,[1] miscellaneous users, and foundries	6-1115-AS.

[1] Except those required to file Form 6-1115-MS.

(d) Commencing December 17, 1951, any person other than a refiner, custom smelter, scrap dealer, or scrap generator, who deals in refined copper or who owns, melts, or otherwise uses in his operations, electrolytic or fire-refined copper, unalloyed copper in any form (including scrap), copper-base raw materials in any form (including ingot and scrap), or intermediate brass or copper wire mill shapes, shall complete and return Form NPAF–83 to the National Production Authority, Washington 25, D. C., Ref: M–16, in the number of copies specified on that form. Such reports shall be filed monthly in accordance with the reporting procedure specified on the form, except in those cases where the form indicates a quarterly report should be filed. The provisions of this paragraph do not apply to any person who owns less than 500 pounds of the forms of copper enumerated in this paragraph, or who melts or otherwise uses less than 500 pounds of such forms of copper per month.

(e) Commencing December 17, 1951, any person who produces copper or copper-base alloy controlled materials (brass mill products, copper wire mill products, foundry products, or powder mill products as defined in section 2 of this order), shall complete and return Form NPAF–84 to the National Production Authority, Washington 25, D. C., Ref: M–16, in the number of copies specified on that form. Such report shall be filed monthly in accordance with the reporting procedure specified on the form, except in those cases where the form indicates that a quarterly report should be filed.

(f) Persons subject to this order shall make such other records and submit such other reports to the National Production Authority as it shall require, subject to the terms of the Federal Reports Act 1942 (5 U. S. C. 139–139F).

SEC. 10. *Communications.* All communications concerning this order shall be addressed to the National Production Authority, Washington 25, D. C., Ref: M–16.

Sec. 11. *Violations.* Any person who willfully violates any provision of this order, or any other order or regulation of NPA, or who willfully furnishes false information or conceals any material fact in the course of operation under this order, is guilty of a crime and upon conviction may be punished by fine or imprisonment or both. In addition, administrative action may be taken against any such person to suspend his privilege of making or receiving further deliveries of materials, or using facilities under priority or allocation control and to deprive him of further priorities assistance.

NOTE: All reporting and record-keeping requirements of this order have been approved by the Bureau of the Budget in accordance with the Federal Reports Act.

This order as amended shall take effect on December 17, 1951.

NATIONAL PRODUCTION AUTHORITY,
By JOHN B. OLVERSON, *Recording Secretary.*

M–16
Dir. 1
Nov. 19, 1951

U. S. DEPARTMENT OF COMMERCE

NATIONAL PRODUCTION AUTHORITY

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER VI—NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

[NPA Order M–16, Direction 1]

M–16—DISTRIBUTION OF COPPER RAW MATERIALS

DIR. 1.—ADVANCE AUTHORIZATIONS

This direction under NPA Order M–16 is found necessary and appropriate to promote the national defense and is issued pursuant to the Defense Production Act of 1950 as amended. In the formulation of this direction there has been consultation with industry representatives and consideration has been given to their recommendations.

Sec.

1. What this direction does.
2. Advance authorizations.
3. Certification.

AUTHORITY: Secs. 1 to 3 issued under sec. 704, 64 Stat. 816, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2154.

SECTION 1. *What this direction does.* The purpose of this direction is to permit persons who have received authority to purchase copper raw materials to place orders for and accept delivery of a limited quantity of similar materials during the month succeeding the month for which the authorization was issued.

SEC. 2. *Advance authorizations.* (a) Any person who has received a written authorization pursuant to section 3 of NPA Order M–16, which authorization permits the acceptance of delivery of specified copper raw materials in a given month, may order for delivery to him during the immediately succeeding month a quantity of copper raw materials not in excess of 50 percent of each type of material for which he has such written authorization, and may, during such succeeding month, accept delivery of the material so ordered. This permission does not apply to persons whose authorization to purchase, issued pursuant to section 3 of NPA Order M–16, covers a period longer than 1 month.

(b) Any material ordered pursuant to the permission granted by this section must be deducted from the written authorization issued pursuant to section 3 of NPA Order M–16 covering such immediately succeeding month. If the authorization is not large enough to cover the entire quantity ordered, any excess must be deducted from the next authorization received.

SEC. 3. *Certification.* Orders placed pursuant to the permission granted by section 2 of this direction shall be certified as provided in paragraph (b) of section 3 of NPA Order M–16, except that where such certification provides for the authorization number to be given, there shall be inserted the authorization number which is the basis for the advance order, together with the words "advance authorization."

This direction shall take effect on November 19, 1951.

NATIONAL PRODUCTION AUTHORITY,
By JOHN B. OLVERSON, *Recording Secretary.*

EXHIBIT 9

M–82
As amended
Feb. 14, 1952

U. S. DEPARTMENT OF COMMERCE

NATIONAL PRODUCTION AUTHORITY

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER VI—NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

[NPA Order M–82, as amended Feb. 14, 1952]

M–82—DISTRIBUTION OF BRASS MILL PRODUCTS TO DISTRIBUTORS

This order as amended is found necessary and appropriate to promote the national defense and is issued pursuant to the authority granted by the Defense Production Act of 1950 as amended. In the formulation of this amended order there has been consultation with industry representatives, including trade association representatives, and consideration has been given to their recommendations. However, consultation with representatives of all trades and industries affected in advance of the issuance of this order as amended has been rendered impracticable due to the necessity for immediate action and because the order affects a large number of different trades and industries.

NPA Order M–82 of August 31, 1951, is hereby amended as follows:

1. The definition of "brass mill products" in section 2 (c) is changed to conform to the definition contained in NPA Order M–11.
2. The definition of "distributor" in section 2 (g) is changed to include persons who purchase from other distributors.
3. A new paragraph (h) defining "NPA", is added to section 2.
4. Section 3 (d) is deleted.
5. Section 3 (c) and sections 4, 5, 7, and 8 are changed to provide for distributors who purchase from other distributors.
6. Paragraphs (a) and (b) of section 6 are changed to permit additional sales of condenser tubes without NPA authorizations and to set forth procedures for placing orders for direct mill shipments

7. A new paragraph (c) has been added to section 6 to limit sales by distributors to sales on authorized controlled material orders with minor exceptions.

8. Section 11 has been amended to provide that applications for adjustments shall be made by letter in triplicate.

In addition, there have been minor editorial changes.

As amended, NPA Order M–82 reads as follows:

Sec.

1. What this order does.
2. Definitions.
3. How a distributor obtains brass mill products.
4. Monthly X–6 quotas.
5. Limitations on acceptance of X–6 orders by brass mills or distributors.
6. Limitations on acceptance of orders by distributors.
7. Inventory limitations.
8. Certification.
9. Applicability of other regulations and orders.
10. Records and reports.
11. Request for adjustment or exception.
12. Communications.
13. Violations.

AUTHORITY: Sections 1 to 13 issued under sec. 704, 64 Stat. 816, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2154. Interpret or apply sec. 101, 64 Stat. 799, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2071; sec. 101, E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CFR, 1950 Supp.; sec. 2, E. O. 10200, Jan. 3, 1951, 16 F. R. 61; secs. 402, 405, E. O. 10281, Aug. 28, 1951, 16 F. R. 8789.

SECTION 1. *What this order does.* The purpose of this order is to provide for the restoration and maintenance of reasonable inventories by distributors of brass mill products. It describes how orders for brass mill products shall be accepted and filled by distributors and how such shipments shall be replaced by brass mills. It authorizes distributors to place authorized controlled material orders within certain limitations, sets forth limitations on the required acceptance of such orders by brass mills, and revokes the authority of distributors to place orders certified under Direction 1 to NPA Order M–11.

SEC. 2. *Definitions.* As used in this order:

(a) "Base period" means the period commencing January 1, 1947, and ending June 30, 1950.

(b) "Person" means any individual, corporation, partnership, association, or any other organized group of persons, and includes any agency of the United States or any other government.

(c) "Brass mill products" means copper and copper-base alloys in the following forms: sheet, plate, and strip, in flat lengths or coils; rod, bar, shapes, and wire, except copper wire mill products; anodes, rolled, forged, or sheared from cathodes; and seamless tube and pipe. Straightening, threading, chamfering, and cutting to width and length, and reduction in gage, do not constitute changes in form of brass mill products except as determined by NPA. The following related products which have been produced by a change in form of brass mill products are not included in the definition of brass mill products:

Circles.
Discs.
Cups.
Blanks and segments.
Forgings (except anodes).
Welding rod, 3 feet or less in length.
Rotating bands.
Tube and nipples—welded, brazed, or mechanically seamed.

(d) "Brass mill" means any person who produces brass mill products.

(e) "Item of brass mill products" means a particular brass mill product of one given dimension (except length), shape, temper, alloy, and finish.

(f) "Inventory" means brass mill products owned by a distributor or held by him on consignment within the United States, its territories and possessions, for resale as brass mill products. It does not include brass mill products held by him for fabrication, whether for his own account or for others, or direct mill shipments by a mill to a distributor's customer.

(g) "Distributor" means any person (including a warehouseman or jobber but not a retailer) engaged in the business of stocking brass mill products received from a brass mill or another distributor at a location regularly maintained by him for such purpose, for sale or resale in the form or shape as received, or after performing the operations described in this paragraph, and who, in connection therewith, maintains facilities and equipment necessary to conduct such business. Such operations are straightening, threading, chamfering, cutting to width and length, and edging. A distributor shall be deemed to be such only with respect to such brass mill products as are regularly maintained in his inventory. Occasional or accommodation sales, or purchases from brass mills or other distributors,

shall not constitute engaging in the business of distributing brass mill products. Any brass mill maintaining an inventory of brass mill products at a location other than the mill and regularly engaging in the business of making sales from such inventory as a distributor shall be deemed to be a distributor with respect to such inventory and business for the purposes of this order. Any distributor operating more than one warehouse may consider all warehouses operated by him as one warehouse for the purpose of this order.

(h) "NPA" means the National Production Authority.

SEC. 3. *How a distributor obtains brass mill products.* (a) Commencing on September 1, 1951, and subject to the quantity limitations contained in section 4 of this order, a distributor may apply the allotment symbol X–6 to orders for brass mill products for the purpose of replacing his inventory of such products.

(b) A delivery order bearing the symbol X–6, together with the certification provided for in section 8 of this order, shall constitute an authorized controlled material order for the purpose of all CMP regulations.

(c) Subject to the limitations of any other applicable NPA regulation or order, a distributor may purchase brass mill products without limitation where such purchase is not a purchase made from a domestic brass mill or another distributor which will result in a violation of section 7 of this order.

SEC 4. *Monthly X–6 quotas.* Any distributor who during the preceding month has delivered brass mill products from his inventory to fill authorized controlled material orders placed with him may place an order with a brass mill or another distributor for replacement in his inventory of an equal weight of brass mill products, to which order the allotment symbol X–6 may be applied. In addition, a distributor whose inventory (by weight) on the last business day of any month, is less than his average monthly inventory (by weight) during the base period may place an order bearing the allotment symbol X–6 with a brass mill or another distributor during the succeeding month for 5 percent of the difference between his average monthly inventory (by weight) during the base period and such inventory at the end of the month. The total weight of material covered by orders placed by any distributor with brass mills and other distributors in each month and bearing the allotment symbol X–6 shall, however, in no event exceed 150 percent of the average monthly weight of deliveries of brass mill products from brass mills and other distributors to such distributor during the base period. In determining average monthly inventory during the base period or average monthly deliveries of brass mill products during the base period, a distributor may exclude any months during the base period in which he was not engaged in the business of distributing brass mill products.

SEC. 5. *Limitations on acceptance of X–6 orders by brass mills or distributors.* (a) A brass mill or another distributor need not accept an X–6 order from any distributor if such distributor was not a purchaser of brass mill products from him during the base period.

(b) A brass mill or another distributor need not accept an X–6 order from a distributor for any item of brass mill products which such distributor did not purchase from him during the base period.

(c) Any distributor who is unable to place an order bearing the allotment symbol X–6 due to the limitations of this section should apply to the National Production Authority, Washington 25, D. C., Ref: M–82, specifying the brass mills or distributors that refused to accept the order. NPA will assist him in locating sources of supply.

SEC. 6. *Limitations on acceptance of orders by distributors.* (a) A distributor may not accept for delivery from his inventory (1) any one order from any one person for more than 2,000 pounds of any item of brass mill products except condenser tubes, or for more than 10,000 pounds of condenser tubes, without the written approval of NPA, or (2) orders for any brass mill products in excess of the distributor's inventory of such products (including such products in transit to the distributor) on the date of the receipt of such order. Distributors are not required to accept an authorized controlled material order for more than 500 pounds of any item of brass mill products or 50 percent of the distributor's inventory of such item, whichever is less, unless otherwise directed by NPA. For the purposes of the quantity limitations of this section, a distributor shall regard separate orders placed for delivery in the same month for the same item by any person as one order.

(b) A distributor may accept an order for brass mill products for direct shipment from the brass mill to the customer only to the extent that such order is acceptable to the brass mill. Such a transaction shall not be considered a sale or delivery by a distributor for the purposes of this order. In forwarding such

an order to the brass mill for acceptance, the distributor must furnish the brass mill with the name and address of the customer, the date and number of the customer's order, the authorized controlled material order allotment symbol, and a copy of the certification, which copy, however, need not be a duplicate original. An order for brass mill products for direct shipment from the brass mill to the customer may be shipped to the distributor who placed the order with the brass mill, but in that event the distributor may not incorporate the material so received physically in his inventory, and must use all such material only for the purpose of filling the order for which it was received.

(c) A distributor may not accept, ship, or deliver any copper controlled material except pursuant to an authorized controlled material order valid for the calendar quarter in which delivery is requested, unless the quantity of material to be delivered on any one sale to any one person aggregates less than 25 pounds. Only sales on authorized controlled material orders are replaceable under the provisions of the first sentence of section 4 of this order.

SEC. 7. *Inventory limitations.* No distributor may accept delivery of brass mill products from domestic brass mills or other distributors if his inventory is, or by such receipt would become, in excess of his average monthly inventory during the base period (excluding therefrom the months during which he was not engaged in the business of distributing brass mill products) or in excess of a practicable minimum working inventory as defined in NPA Reg. 1, whichever is less.

SEC. 8. *Certification.* Any order for brass mill products placed by a distributor with a brass mill or another distributor and bearing the allotment symbol X–6 pursuant to this order shall contain a certification in substantially the following form:

Certified under CMP Regulation No. 1 and NPA Order M–82

This certification shall constitute a representation to the supplier and to NPA that the purchaser is authorized to place an authorized controlled material order under the provisions of this order to obtain the material covered by the delivery order.

SEC. 9. *Applicability of other regulations and orders.* Nothing in this order shall be construed to relieve any person from the obligations of complying with such limitations as may be contained in any other applicable regulation or order of NPA or of any order of any other competent authority.

SEC. 10. *Records and Reports.* (a) Each person participating in any transaction covered by this order shall make and preserve, for at least 3 years thereafter, accurate and complete records of receipts, deliveries, inventories, production, and use, in sufficient detail to permit the determination, after audit, whether each transaction complies with the provisions of this order. This order does not specify any particular accounting method and does not require alteration of the system of records customarily used, provided such records supply an adequate basis for audit. Records may be retained in the form of microfilm or other photographic copies instead of the originals by those persons who, at the time such microfilm or other photographic records are made, maintain such copies of records in the regular and usual course of business.

(b) All records required by this order shall be made available at the usual place of business where maintained for inspection and audit by duly authorized representatives of NPA.

(c) Persons subject to this order shall make such records and submit such reports to NPA as it shall require, subject to the terms of the Federal Reports Act of 1942 (5 U. S. C. 139–139F).

SEC. 11. *Request for adjustment or exception.* Any person affected by any provision of this order may file a request for adjustment or exception upon the ground that his business operation was commenced during or after the base period, that any provision otherwise works an undue or exceptional hardship upon him not suffered generally by others in the same trade or industry, or that its enforcement against him would not be in the interest of the national defense or in the public interest. In examining requests for adjustment claiming that the public interest is prejudiced by the application of any provision of this order, consideration will be given to the requirements of the public health and safety, civilian defense, and dislocation of labor and resulting unemployment that would impair the defense program. Each request shall be in writing, *by letter in triplicate* and shall set forth all pertinent facts and the nature of the relief sought, and shall state the justification therefor.

SEC. 12. *Communications.* All communications concerning this order shall be addressed to the National Production Authority, Washington 25, D. C., Ref: M–82.

SEC. 13. *Violations.* Any person who wilfully violates any provision of this order or any other order or regulation of NPA or who wilfully conceals a mate-

rial fact or furnishes false information in the course of operation under this order is guilty of a crime, and, upon conviction, may be punished by fine or imprisonment or both. In addition, administrative action may be taken against any such person to suspend his privililege of making or receiving further deliveries of materials or using facilities under priority or allocation control and to deprive him of further priorities assistance.

NOTE: All reporting and record-keeping requirements of this order have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

This amended order shall take effect February 14, 1952.

NATIONAL PRODUCTION AUTHORITY,
By JOHN B. OLVERSON, *Recording Secretary.*

EXHIBIT 10

M–86
As amended
Feb. 14, 1952

U. S. DEPARTMENT OF COMMERCE

NATIONAL PRODUCTION AUTHORITY

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER VI—NATIONAL PRODUCTION AUTHORITY, DEPARTMENT OF COMMERCE

[NPA Order M–86, as Amended February 14, 1952]

M–86—DISTRIBUTION OF COPPER WIRE MILL PRODUCTS TO DISTRIBUTORS

This order as amended is found necessary and appropriate to promote the national defense and is issued pursuant to the authority granted by the Defense Production Act of 1950, as amended. In the formulation of this amended order there has been consultation with industry representatives, including trade association representatives, and consideration has been given to their recommendations. However, consultation with representatives of all trades and industries affected in advance of the issuance of this order as amended has been rendered impracticable due to the necessity for immediate action and because the order affects a large number of different trades and industries.

NPA Order M–86 of October 5, 1951, is hereby amended as follows:

1. Section 1 is changed more clearly to set forth the purpose of the order and to conform that purpose to other amendments made herewith.
2. The definition of "copper wire mill products" in section 2 (c) is changed to conform to the definition contained in NPA Order M–11.
3. A new section 2 (b), defining "NPA", is added.
4. Section 3 (c) is deleted.
5. Section 4 (a) is changed to permit orders to be placed for delivery in any calendar quarter.
6. Section 6 (c) is changed to set forth procedures for placing orders for direct mill shipments.
7. A new paragraph (d) is added to section 6 to limit sales by distributors to sales on authorized controlled material orders with minor exceptions.
8. Section 11 (a) is changed to provide that records shall be kept for 3 years, and to permit photographic records to be maintained in certain cases.
9. Section 12 is changed to provide that applications for adjustment or exception be by letter in triplicate.

As amended, NPA Order M–86 reads as follows:

Sec.

1. What this order does.
2. Definitions.
3. How a distributor obtains copper wire mill products.
4. X–6 quotas.
5. Limitations on acceptance of X–6 orders by copper wire mills or distributors.
6. Limitations on acceptance of orders by distributors.
7. Inventory limitations.
8. Certification.
9. Inventories at separate locations.
10. Applicability of other regulations and orders.
11. Records and reports.
12. Request for adjustment or exception.
13. Communications.
14. Violations.

AUTHORITY: Sections 1 to 14 issued under sec. 704, 64 Stat. 816, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2154. Interpret or apply sec. 101, 64 Stat. 799, Pub. Law 96, 82d Cong.; 50 U. S. C. App. Sup. 2071; sec. 101, E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CFR, 1950 Supp.; sec. 2, E. O. 10200, Jan. 3, 1951, 16 F. R. 61; secs. 402, 405, E. O. 10281, Aug. 28, 1951, 16 F. R. 8789.

SECTION 1. *What this order does.* The purpose of this order is to provide for the maintenance of practicable minimum working inventories by distributors of copper wire mill products. It describes how orders for copper wire mill products shall be accepted and filled by distributors and how such shipments shall be replaced by copper wire mills. It authorizes distributors to place authorized controlled material orders within certain limitations and sets forth limitations on the required acceptance of such orders by copper wire mills or other distributors.

SEC. 2. *Definitions.* As used in this order: (a) "Base period" means the period commencing January 1, 1950, and ending December 31, 1950. If a person operated on a fiscal-year basis prior to December 31, 1950, he may elect to take as his base period his last fiscal year ending prior to that date. After such election has been made, it may not thereafter be changed without the prior written approval of NPA.

(b) "Person" means any individual corporation, partnership, association, or any other organized group of persons, and includes any agency of the United States Government or of any other government.

(c) "Copper wire mill products" means uninsulated or insulated wire and cable, whatever the outer protective covering may be, made from copper or copper-base alloy, and also copper-clad steel wire containing over 20-percent copper by weight regardless of end use. All copper wire mill products should be measured in terms of pounds of copper content.

(d) "Copper wire mill" means any person who produces copper wire mill products.

(e) "Item of copper wire mill product" means any copper wire mill product which differs from other copper wire mill products by reason of one or more differences in its specifications (except temper or length), such as size, alloy, or insulation.

(f) "Inventory" means copper wire mill products owned by a distributor or held by him on consignment within the United States, its territories and possessions, for resale as copper wire mill products. It does not include copper wire mill products held by him for fabrication, whether for his own account or for others, or direct mill shipments by a copper wire mill to a distributor's customer.

(g) "Distributor" means any person (including a warehouseman or jobber, but not a retailer), engaged in the business of stocking copper wire mill products received from a copper wire mill or another distributor at a location regularly maintained by him for such purpose, for sale or resale in the form or shape received, or after straightening or cutting to length, and who, in connection therewith, maintains facilities and equipment necessary to conduct such business. A distributor shall be deemed to be such only with respect to such copper wire mill products as products as are regularly maintained in his inventory. The sale at retail of copper wire mill products, or occasional or accommodation sales or purchases from copper wire mills shall not constitute engaging in the business of distributing copper wire mill products. Any copper wire mill maintaining an inventory of copper wire mill products at a location other than the mill and regularly engaged in the business of making sales from such inventory as a distributor shall be deemed to be a distributor with respect to such inventory and business for the purposes of this order. Any warehouse maintained by a copper wire mill for the sole purpose of distributing quantities of copper wire mill products received in carload quantities to copper wire mill distributors in less than carload quantities, as the result of orders previously received by such copper wire mill, shall not be deemed a distributor for the purposes of this order.

(h) "NPA" means the National Production Authority.

SEC. 3. *How a distributor obtains copper wire mill products.* (a) Commencing October 5, 1951, and subject to the quantity limitations contained in section 4 of this order, a distributor may apply the CMP allotment symbol X–6 to orders for copper wire mill products for the purpose of replacing his inventory of such products.

(b) A delivery order bearing the symbol X–6, together with the certification provided for in section 8 of this order, shall constitute an authorized controlled material order for the purpose of all CMP regulations.

SEC. 4. *X–6 quotas.* (a) Commencing October 5, 1951, a distributor may place orders with copper wire mills or with other distributors for a quantity of copper wire mill products (measured in pounds of copper content) equal to the quantity

by which 25 percent of his shipments of such products from his inventory during his base period exceeds the copper content of his inventory of copper wire mill products on September 30, 1951, to which orders the allotment symbol X–6 may be applied. All such orders placed pursuant to this paragraph shall call for delivery during the fourth calendar quarter of 1951 or any subsequent calendar quarter. A distributor shall convert all outstanding orders calling for delivery during the fourth calendar quarter of 1951 to authorized controlled material orders bearing the allotment symbol X–6 prior to October 15, 1951, and shall reduce or cancel all such outstanding orders which call for delivery of a quantity of material in excess of the quantity permitted by this paragraph. For the purposes of this paragraph all copper wire mill products received by a deistributor after September 30, 1951, and shipped prior to October 15, 1951, shall be deemed to have been received pursuant to an order bearing the allotment symbol X–6.

(b) Commencing November 1, 1951, any distributor who, during the preceding month has delivered copper wire mill products from his inventory to fill authorized controlled material orders placed with him, may place an order or orders with a copper wire mill or another distributor for a quantity of copper wire mill products equal to 100 percent of such deliveries (measured in pounds of copper content), to which orders the allotment symbol X–6 may be applied. All orders placed pursuant to this paragraph shall call for delivery after December 30, 1951.

(c) A distributor may not place duplicate orders bearing the symbol X–6 in anticipation of cancelling one upon delivery of the other.

SEC. 5. *Limitations on acceptance of X–6 orders by copper wire mills or distributors.* (a) A copper wire mill or another distributor need not accept an X–6 order from any distributor if such distributor was not a purchaser of copper wire mill products from such copper wire mill or other distributor during the base period.

(b) A copper wire mill or another distributor need not accept an X–6 order from a distributor for any item of copper wire mill products which such distributor did not purchase from the copper wire mill or other distributor during the base period, or for a quantity of any item in excess of its average monthly shipments of such item to such distributor during the base period.

(c) Any distributor who is unable to place an order bearing the allotment symbol X–6 due to the limitations of this section should apply to the National Production Authority, Washington 25, D. C., Ref: M–86, specifying the copper wire mills or distributors that refused to accept the order. NPA will assist him in locating sources of supply.

SEC. 6. *Limitations on acceptance of orders by distributors.* (a) A distributor may not accept an order for immediate shipment from his stock for any copper wire mill products in excess of his inventory of such products (including such products in transit to the distributor) on the date of the receipt of such order.

(b) A distributor need not accept and fill an order for copper wire mill products from any one person for more than 500 pounds of copper content of any item, except in sizes 4/0 and larger. Items for sizes 4/0 and larger need not be accepted and filled in excess of standard mill single reel lengths. For the purposes of quantity limitations of this section, a distributor may regard separate orders placed for delivery in the same month for the same item by any person as one order.

(c) A distributor may accept an order for copper wire mill products for direct shipment from the copper wire mill to the customer but only to the extent that such order is acceptable to the copper wire mill in accordance with CMP Regulations Nos. 1 and 3 and NPA Order M–11, and only if the material is not in his inventory in sufficient quantity to fill the order at the time of acceptance. Such a transaction shall not be considered a sale or delivery by the distributor for the purposes of this order. In forwarding such an order to the copper wire mill for acceptance, the distributor must furnish the copper wire mill with the name and address of the customer, the date and number of the customer's order, the authorized controlled material order allotment symbol, and a copy of the certification, which copy need not be a duplicate original. An order for copper wire mill products for direct shipment from the copper wire mill to the customer may be shipped to the distributor who placed the order with the copper wire mill, but in that event the distributor may not incorporate the material so received physically in his inventory, and must use all such material only for the purpose of filling the order for which it was received.

(d) A distributor may not accept, ship, or deliver any copper controlled material except pursuant to an authorized controlled material order valid for the calendar quarter in which delivery is requested unless the quantity of material

to be delivered on any one sale to any one person is for a quantity of material which is less than 10 percent of a standard package. Only sales on authorized controlled material orders are replaceable under the provisions of section 4 (b) of this order.

SEC. 7. *Inventory limitations.* No distributor may accept delivery of copper wire mill products from copper wire mills or other distributors if his inventory is, or by such receipt would become, in excess of his average monthly inventory during the base period (excluding therefrom the months during which he was not engaged in a business of distributing copper wire mill products) or in excess of a practicable minimum working inventory as defined in NPA Reg. 1, whichever is less. Where a distributor maintains stocks of copper wire mill products at more than one location, this section shall be applicable to each such location even though such distributor has elected to operate as one person under the provisions of section 9 of this order.

SEC. 8. *Certification.* Any order for copper wire mill products, placed by a distributor with a copper wire mill or another distributor and bearing the allotment symbol X–6 pursuant to this order, shall contain a certification in substantially the following form: "Certified under CMP Regulation No. 1 and NPA Order M–86." This certification shall be signed manually or as provided in NPA Reg. 2, and shall constitute a representation to the supplier and to NPA that the purchaser is authorized to place an authorized controlled material order under the provisions of this order to obtain the material covered by the delivery order.

SEC. 9. *Inventories at separate locations.* Any distributor maintaining stocks of copper wire mill products at more than one location may consider all such stocks as one and may operate as a single distributor for the purpose of this order, or he may regard each such location as a separate distributor, but he may not change from one method of operation to the other without written approval of NPA.

SEC. 10. *Applicability of other regulations and orders.* Nothing in this order shall be construed to relieve any person from the obligations of complying with such limitations as may be contained in any other applicable regulation or order of NPA, or of any order of any other competent authority. Particularly the provisions of Schedules III and IV of CMP Regulation No. 1 with regard to lead times and minimum mill quantities and the provisions of CMP Regulation No. 4 continue to apply.

SEC. 11. *Records and reports.* (a) Each person participating in any transaction covered by this order shall make and preserve, for at least 3 years thereafter, accurate and complete records of receipts, deliveries, inventories, production, and use, in sufficient detail to permit the determination, after audit, whether each transaction complies with the provisions of this order. This order does not specify any particular accounting method and does not require alteration of the system of records customarily used, provided such records supply an adequate basis for audit. Records may be retained in the form of microfilm or other photographic copies instead of the originals by those persons who, at the time such microfilm or other photographic records are made, maintain such copies of records in the regular and usual course of business.

(b) All records required by this order shall be made available at the usual place of business where maintained for inspection and audit by duly authorized representatives of NPA.

(c) Persons subject to this order shall make such records and submit such reports to NPA as shall be required, subject to the terms of the Federal Reports Act of 1942 (5 U. S. C. 139–139F).

SEC. 12. *Request for adjustment or exception.* Any person affected by any provision of this order may file a request for adjustment or exception upon the ground that his business operation was commenced during or after the base period, that any provision otherwise works an undue or exceptional hardship upon him not suffered generally by others in the same trade or industry, or that its enforcement against him would not be in the interest of the national defense or in the public interest. In examining requests for adjustment claiming that the public interest is prejudiced by the application of any provision of this order, consideration will be given to the requirements of the public health and safety, civilian defense, and dislocation of labor and resulting unemployment that would impair the defense program. Each request shall be in writing, by letter in triplicate, and, shall set forth all pertinent facts and the nature of the relief sought, and shall state the justification therefor.

SEC. 13. *Communications.* All communications concerning this order shall be addressed to the National Production Authority, Washington 25, D. C., Ref: M-86.

SEC. 14. *Violations.* Any person who wilfully violates any provision of this order or any other order or regulation of NPA or who wilfully conceals a material fact or furnishes false information in the course of operation under this order is guilty of a crime, and, upon conviction, may be punished by fine or imprisonment or both. In addition, administrative action may be taken against any such person to suspend his privilege of making or receiving further deliveries of materials or using facilities under priority or allocation control and to deprive him of further priorities assistance.

NOTE: All reporting and record-keeping requirements of this order have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

This amended order shall take effect February 14, 1952.

NATIONAL PRODUCTION AUTHORITY,
By JOHN B. OLVERSON, *Recording Secretary.*

EXHIBIT 11

Allotment authority for carbon, alloy, and stainless steel, fourth quarter 1951, first quarter 1952, and second quarter 1952

	Total steel (tons)		
	Fourth quarter 1951	First quarter 1952	Second quarter 1952
Supply (estimate)	21,336,000	21,125,000	21,810,500
General claimants:			
Agriculture, Department of	67,467	58,865	52,105
Army, Department of	43,434	35,222	32,560
Atomic Energy Commission	161,355	154,400	118,790
Civil Aeronautics Administration	7,940	17,083	30,098
Defense, Department of	1,851,865	2,530,851	2,617,362
Defense Electric Power Administration	301,465	308,846	339,650
Defense Fisheries Administration		4	712
Defense Materials Procurement Agency	38,401	45,089	50,250
Defense Solid Fuels Administration:			
Coke	25,173	18,612	26,710
Coal	7,546	8,558	12,790
Defense Transport Administration	83,069	67,779	74,855
Federal Civil Defense Administration		3,238	5,106
Federal Security Agency:			
Hospitals	81,600	71,545	75,850
Education	106,317	113,180	128,280
General Services Administration	20,065	27,072	27,437
Housing and Home Finance Agency	104,375	110,502	78,600
Interior, Department of	10,933	12,285	9,308
Maritime Administration	103,970	101,151	121,100
OIT-MSA	755,275	551,628	788,485
Petroleum Administration for Defense	1,617,685	1,703,018	1,709,500
Public Roads, Bureau of	265,025	217,073	249,725
Veterans' Administration	11,041	12,436	12,655

Allotment authority for carbon, alloy, and stainless steel, fourth quarter 1951, first quarter 1952, and second quarter 1952—Continued

	Total steel (tons)		
	Fourth quarter 1951	First quarter 1952	Second quarter 1952
National Production Authority:			
Agricultural machinery and implements	584,067	532,933	541,822
Aircraft	12,022	13,480	16,182
Aluminum and magnesium	12,850	12,850	15,625
Building materials	899,322	1,096,383	949,271
Canadian	413,300	415,050	506,688
Chemical	1,087	335	115
Communications equipment	38,812	40,285	43,400
Construction machinery	509,604	490,906	456,180
Consumer durable goods	905,402	972,890	872,180
Containers and packaging	1,612,127	1,682,350	1,594,396
Copper	43,119	42,749	42,150
Electrical equipment	577,408	497,123	655,261
Electronics	82,054	75,839	58,900
Engine and turbine	514,531	587,325	588,330
Facilities Bureau:			
Construction controls	41,774	35,657	18,010
Industrial expansion	711,845	748,686	630,838
General components	1,135,433	1,100,043	1,203,226
General industrial equipment	803,671	557,344	533,568
Iron and steel	420,071	240,913	211,083
Leather and leather products	8,096	11,820	9,846
Lumber and wood products	5,043	6,832	6,076
Metalworking machinery	652,666	616,155	652,535
Mining machinery	132,915	124,562	135,518
Miscellaneous metals and minerals	2,601	3,918	3,561
Motion pictures, photo products	7,275	7,999	7,601
Motor vehicles	3,428,722	3,056,953	3,009,760
Ordnance and shipbuilding	158,115	96,310	105,150
Printing and publishing	3,527	6,687	4,691
Pulp, paper, and paperboard	1,060	1,170	1,061
Railroad equipment	1,818,990	1,668,766	1,639,180
Rubber	32,742	31,533	32,395
Scientific and technical equipment	46,401	49,507	49,952
Service equipment	49,733	46,447	43,813
Water resources	153,120	226,613	220,415
Total all claimants	21,480,498	21,377,347	21,488,447
Total reserves	2,586,450	2,380,805	2,643,798
Grand total	24,066,948	23,758,152	24,132,245

NOTE.—Revisions of allotment authority as of Feb. 13, 1952, are included.

Source: Office of Program and Requirements, Defense Production Administration.

EXHIBIT 12

Allotment authority for aluminum fourth quarter 1951, first quarter 1952, and second quarter 1952

	Total aluminum (thousands of pounds)		
	Fourth quarter 1951	First quarter 1952	Second quarter 1952
Supply (estimate)	898,000	646,000	705,000
General claimants:			
Agriculture, Department of	150	103	87
Army, Department of	100	100	194
Atomic Energy Commission	6,059	6,000	5,553
Civil Aeronautics Administration	20	100	194
Defense, Department of	187,415	277,228	266,790
Defense Electric Power Administration	35,700	44,900	58,212
Defense Fisheries Administration		2	5
Defense Materials Procurement Agency	140	275	340
Defense Solid Fuels Administration:			
Coke	70	70	2
Coal	11	15	19
Defense Transport Administration	300	200	146
Federal Civil Defense Administration		10	39
Federal Security Agency:			
Hospitals	400	400	388
Education	15	10	8
General Services Administration	69	105	81
Housing and Home Finance Agency	500		48
Interior, Department of	18	64	48
Maritime Administration	600	100	194
OIT–MSA	2,414	2,000	1,746
Petroleum Administration for Defense	777	1,250	1,240
Public Roads, Bureau of	520	250	172
Veterans' Administration	30	80	141
National Production Authority:			
Agricultural machinery and implements	7,805	6,631	7,629
Aircraft	4,024	4,888	8,781
Aluminum and magnesium	3,800	380	5,346
Building materials	53,806	48,718	46,994
Canadian	2,250	2,150	1,843
Chemical	8,090	4,390	3,270
Communications equipment	2,945	2,900	3,020
Construction machinery	2,300	1,909	1,806
Consumer durable goods	60,841	53,748	49,030
Containers and packaging	22,232	21,556	19,561
Copper	11,000	2,260	1,746
Electrical equipment	28,416	27,347	31,382
Electronics	17,376	15,680	12,244
Engine and turbine	2,677	3,145	3,299
Facilities Bureau:			
Construction controls	111		
Industrial expansion	8,021	9,623	11,490
General components	16,843	18,075	21,004
General industrial equipment	27,707	18,819	16,369
Iron and steel	1,766	125	116
Leather and leather products	700	1,200	559
Lumber and wood products	1,015	1,100	822
Metalworking machinery	9,187	7,407	9,314
Mining machinery	280	250	269
Miscellaneous metals and minerals	53	123	82
Motion pictures, photo products	3,734	3,200	2,710
Motor vehicles	76,183	77,711	60,400
Ordnance and shipbuilding	1,332	950	928
Printing and publishing	317	427	459
Pulp, paper, and paperboard	18	28	26
Railroad equipment	8,243	6,600	4,684
Rubber	723	1,000	954
Scientific and technical equipment	16,630	14,544	13,541
Service equipment	4,566	3,950	3,881
Tin, lead, and zinc	5,000		
Water resources	106	175	368
Total all claimants	645,405	694,271	684,224
Total reserves	43,640	44,145	56,026
Grand total	689,045	738,416	740,250

NOTE.—Revisions of allotment authority as of Feb. 13, 1952, are included.

Source: Office of Program and Requirements, Defense Production Administration.

EXHIBIT 13

Allotment authority for copper brass mill, wire mill, and foundry products fourth quarter 1951, first quarter 1952, and second quarter 1952

	Total copper (thousands of pounds)		
	Fourth quarter 1951	First quarter 1952	Second quarter 1952
Supply (estimate)	1,166,000	1,316,000	1,391,000
General claimants:			
Agriculture, Department of	2,105	2,458	1,376
Army, Department of	1,750	1,525	1,392
Atomic Energy Commission	5,978	7,965	7,673
Civil Aeronautics Administration	741	735	1,222
Defense, Department of	208,974	280,606	300,273
Defense Electric Power Administration	80,852	77,756	62,009
Defense Fisheries Administration		9	33
Defense Materials Procurement Agency	994	1,955	1,855
Defense Solid Fuels Administration:			
Coke	381	399	271
Coal	260	217	309
Defense Transport Administration	1,940	2,115	2,133
Federal Civil Defense Administration		66	74
Federal Security Agency:			
Hospitals	2,640	2,733	2,723
Education	4,184	3,872	5,354
General Services Administration	820	765	1,007
Housing and Home Finance Agency	9,126	8,135	3,011
Interior, Department of	215	175	232
Maritime Administration	4,189	3,623	2,950
OIT-MSA	9,739	11,335	10,114
Petroleum Administration for Defense	8,184	8,600	8,275
Public Roads, Bureau of	1,150	900	575
Veterans' Administration	800	1,337	1,278
National Production Authority:			
Agricultural machinery and implements	10,213	7,786	9,272
Aircraft	1,037	1,173	1,502
Building materials	66,972	57,693	51,165
Canadian	2,750	4,600	3,731
Chemical	1,561	1,413	931
Communications equipment	52,242	48,658	46,638
Construction machinery	6,673	6,754	6,046
Consumer durable goods	49,646	41,130	34,584
Containers and packaging	533	318	258
Copper	3,687	3,294	3,602
Electrical equipment	157,005	151,429	164,695
Electronics	32,155	34,867	30,803
Engine and turbine	10,631	29,802	30,893
Facilities Bureau:			
Construction controls	351	1,251	504
Industrial expansion	38,069	31,930	31,840
General components	160,853	174,177	182,456
General industrial equipment	65,216	41,173	40,925
Iron and steel	2,395	4,052	4,255
Leather and leather products	657	2,723	577
Lumber and wood products	162	175	131
Metalworking machinery	31,987	31,393	32,357
Mining machinery	3,274	3,283	3,769
Miscellaneous metals and minerals	1,678	3,161	2,351
Motion pictures, photo products	1,377	1,091	971
Motor vehicles	139,110	127,720	106,683
Ordnance and shipbuilding	8,563	9,332	9,672
Printing and publishing	1,171	1,200	1,058
Pulp, paper, and paperboard	23	32	41
Railroad equipment	88,948	86,610	84,550
Rubber	3,923	3,993	3,588
Scientific and technical equipment	41,227	44,630	39,853
Service equipment	3,256	2,997	2,695
Tin, lead, and zinc	10		
Water resources	1,715	2,733	3,131
Total all claimants	1,334,092	1,389,852	1,356,481
Total reserves	68,576	105,258	119,894
Grand total	1,402,668	1,495,110	1,476,375

NOTE.—Revisions of allotment authority as of Feb. 13, 1952, are included.

Source: Office of Program and Requirements, Defense Production Administration.

EXHIBIT 14

DEFENSE PRODUCTION ADMINISTRATION

DPA–288
Third Quarter Allocations
of Controlled Materials

For Immediate Release
Monday, March 24, 1952

Allocations of steel, copper products and aluminum to the nation's industries for the third quarter of 1952 were announced today by Defense Production Administrator Manly Fleischmann.

"Military allocations of controlled materials for third quarter are about equal to the revised second quarter allocations, and represent a sizeable claim on the available supply," Fleischmann said. "However, despite the continued impact of military procurement, it has been possible to provide additional authorizations for maritime ship construction, schools, hospitals, commercial construction and automobiles and trucks, and also to make increased allocations for the production of civilian goods of all types."

"Because the Controlled Materials Plan is doing an effective job in assuring materials to authorized programs," Mr. Fleischman said, "It has been possible, for the first time since the Controlled Materials Plan was inaugurated last July, to meet substantially 100 percent of the materials requirements of many of the smaller claimants. In the consumer goods field, the area where the sharpest materials cuts have heretofore been made in order to balance requirements with supply, it has been possible to increase allocations of aluminum about 37 percent of the second quarter, copper products by about 19 percent, and steel by about 15 percent.

"The increased availability of materials," Mr. Fleischmann said, "will be of particular benefit to the small producers, especially those who make civilian-type products, many of whom have suffered severe hardships because of the necessity to direct the flow of scarce materials into direct defense and defense-related production.

"The present easing in the supply provides a welcome breathing spell but we should keep in mind that it could be temporary. A slight tightening of demand could easily throw the balance the other way, and for this reason it is still necessary to use the present system of distribution to insure that the demands of the military, the Atomic Energy Commission, industrial expansion and other vital production are met in full and on time."

The supply of steel available for distribution in the third quarter is estimated as about the same as the second quarter, and the supply of aluminum is estimated to be slightly larger. Copper is expected to remain in tight supply and among the controlled materials will remain the greatest single limiting factor on production.

Mr. Fleischmann noted that for the third quarter the decision has been made to increase the over-allotment in order to insure that all of the mill production is taken up and put into production under the CMP program. The third quarter over-allotment in carbon steel is 17 percent; copper brass mill products, 16 percent; copper wire products 10 percent; copper foundry products, 23 percent; and aluminum, 13 percent.

Recent experience has shown that this level of over-allotment is needed to balance the rate of "attrition," the failure, for one reason or another, for all of the tickets issued to be presented to the mills for materials, he stated.

Automobiles and trucks.—Allocations are provided for the production of 1,050,000 passenger automobiles during the third quarter with a balance between copper, aluminum and steel. Sufficient materials are being allocated to produce the 1,050,000 cars, whereas in the second quarter manufacturers were required to use some of their inventories to reach this level of production. Allocations are provided for 270,000 trucks during the quarter. The question of the continuation of the unit limitation is being reviewed by the DPA, but it was stated that any limitation for the 3d quarter would not be less than 1,150,000 passenger cars and 300,000 trucks.

Railroad Equipment.—Allocations are provided for a continued high level of freight car production—a total of 24,939 cars for the quarter. These allocations include provision for 2,000 tank cars and 1,439 industrial cars. In addition allocations were made for 800 locomotives, 189 passenger-type cars and 225 transit and other cars. The question of unit limitations is being reviewed by DPA.

Petroleum Production.—Sufficient steel allocations are provided to carry forward the revised petroleum expansion program at a high level. Foreign petroleum expansion is carried forward at about the same rate.

Construction.—It has been possible to meet the requirements of the defense mineral and other basic mineral programs virtually in full, along with the construction programs of the Department of Defense and the Defense Electric Power Administration. In the field of industrial expansion and commercial construction, allocations have been made to carry forward all of the construction projects which received allocations in the second quarter. In addition some structural steel is provided for third quarter new starts, and the NPA Facilities and Construction Bureau will be able to receive, appraise and authorize some requests for new commercial construction in the third quarter.

Public Roads.—Sufficient allocations have been provided to carry forward all public road projects which have either received earlier allocations or were started before controls were established.

Agricultural Machinery.—Aluminum allocations are provided for irrigation pipe at levels substantially above the 1950 use.

The following tables show the allocations for the third quarter by claimant agencies, and for comparative purposes, the revised allocation authority for the same claimant agencies for the second quarter.

Revised second quarter allotment authority

	Total steel (tons)	Total copper (thousand pounds)	Total aluminum (thousand pounds)
Agricultural Machinery and Implements Division	572,160	8,666	8,389
Aircraft Division	17,716	1,696	8,476
Aluminum and Magnesium Division	0		6,223
Building Materials Division	878,339	49,458	48,250
Canadian Division	479,488	3,911	1,843
Chemical Division	133	962	3,643
Communications Division	43,159	47,123	3,014
Construction Machinery Division	514,541	7,093	1,999
Consumer Durable Goods Division	828,195	38,713	56,562
Containers and Packaging Division	1,597,061	554	23,330
Copper Division	38,027	3,593	1,725
Electrical Equipment Division	883,047	158,770	29,831
Electronics Division	61,868	30,639	12,082
Engine and Turbine Division	557,163	29,695	3,082
Facilities Bureau:			
Construction controls	40,279	1,130	0
Industrial expansion	671,342	32,399	12,791
General Components Division	1,178,995	179,465	20,491
General Industrial Equipment Division	544,295	42,426	18,196
Iron and Steel Division	210,004	4,282	116
Leather and Leather Products Division	7,842	658	581
Lumber and Wood Products Division	6,062	131	820
Metalworking Machinery and Equipment Division	517,628	28,780	7,749
Mining Machinery and Equipment Division	136,255	3,377	250
Miscellaneous Metals and Minerals Division	3,589	2,478	114
Motion Picture-Photographic Products Division	7,516	1,063	2,713
Motor Vehicle Division	3,041,125	110,075	62,907
Ordnance and Shipbuilding Division	104,604	11,390	1,108
Printing and Publishing Division	4,717	1,053	463
Pulp, Paper and Paperboard Division	998	50	26
Railroad Equipment Division	1,755,175	85,359	3,945
Rubber Division	27,264	3,579	992
Scientific and Technical Equipment Division	41,125	40,824	12,587
Service Equipment Division	38,497	2,551	3,353
Water resources	216,415	3,031	318
NPA (excluding reserves) total	14,724,624	934,994	357,979

Revised second quarter, 1952, allotment authority .

	Total steel (tons)	Total copper (thousand pounds)	Total aluminum (thousand pounds)
Agriculture, Department of	52,105	1,376	87
Army, Department of	32,632	1,392	194
Atomic Energy Commission	119,490	7,085	5,553
Civil Aeronautics Administration	20,423	1,375	579
Defense, Department of	2,449,150	274,600	242,700
Defense Electric Power Administration	338,360	62,008	61,312
Defense Fisheries Administration	712	33	5
Defense Materials Procurement Agency	54,350	1,930	340
Defense Solid Fuels Administration:			
Coal mine construction	12,790	309	19
Coke oven construction	26,754	271	2
Defense Transport Administration	74,755	2,533	146
Federal Civil Defense Administration	8,506	74	39
Federal Security Agency:			
Education	130,048	5,578	80
Hospitals	75,744	2,723	313
General Services Administration	27,853	1,007	81
Housing and Home Finance Agency	78,600	3,011	48
Interior, Department of	9,308	233	48
Maritime Administration	121,100	2,950	194
OIT—MSA	985,277	14,386	2,191
Petroleum Administration for Defense	1,707,401	8,375	1,290
Public Roads, Bureau of	259,725	597	172
Veterans' Administration	12,655	1,278	100
General claimants, total	6,597,738	393,124	315,493
NPA (excluding reserves) total	14,724,624	934,994	357,970
NPA reserves (general)	295,708	20,304	11,484
NPA reserves (hardship cases)	34,039	2,696	1,484
NPA—Field case account	814,612	25,266	15,986
DPA total reserve set aside	2,243,859	105,616	46,356
Grand total	24,710,580	1,482,030	748,773
Supply	21,810,500	1,391,000	640,000
Percent of supply	113.3	106.5	117.0

Allotment of controlled materials for third quarter 1952

	Total steel (tons)	Total copper (thousand pounds)	Total aluminum (thousand pounds)
Agricultural Machinery and Implement Division	549, 250	8, 850	9, 400
Aircraft Division	20, 240	1, 780	10, 200
Aluminum and Magnesium Division			4, 300
Building Materials Division	903, 600	57, 945	68, 000
Canadian Division	556, 500	3, 335	1, 900
Chemical Division	260	991	4, 750
Communications Division	41, 775	52, 720	4, 000
Construction Machinery Division	564, 025	7, 785	2, 300
Consumer Durable Goods Division	953, 269	46, 044	77, 671
Containers and Packaging Division	1, 540, 150	400	24, 000
Copper Division	38, 600	3, 700	1, 500
Electrical Equipment Division	594, 650	168, 200	34, 000
Electronics Division	63, 525	31, 500	12, 900
Engine and Turbine Division	583, 000	31, 823	3, 435
Facilities Bureau:			
Construction controls	90, 070	1, 970	(1)
Industrial expansion	529, 500	25, 970	9, 000
General Components Division	1, 161, 750	183, 110	22, 000
General Industrial Equipment Division	568, 000	45, 950	19, 000
Iron and Steel Division	160, 150	4, 161	110
Leather and Leather Products Division	9, 650	1, 064	600
Lumber and Wood Products Division	6, 008	160	1, 050
Metalworking Machinery and Equipment Division	561, 250	29, 900	9, 900
Mining Machinery and Equipment Division	135, 420	3, 555	200
Miscellaneous Metals and Minerals Division	3, 540	2, 450	160
Motion Pic-Photo Products Division	6, 219	1, 162	2, 900
Motor Vehicle Division	3, 294, 450	120, 830	65, 625
Ordnance and Shipbuilding Division	124, 975	11, 175	1, 500
Printing and Publishing Division	5, 520	1, 160	640
Pulp, Paper and Paperboard Division	850	65	100
Railroad Equipment Division	1, 773, 373	85, 950	4, 970
Rubber Division	28, 338	3, 610	950
Scientific and Technical Equipment Division	51, 745	41, 700	13, 400
Service Equipment Division	40, 450	2, 685	3, 720
Water resources	230, 089	2, 800	200
NPA (excluding reserves) total	15, 190, 191	984, 500	414, 491

[1] Included with industrial expansion.

Allotment of controlled materials for third quarter 1952

	Total steel (tons)	Total copper (thousand pounds)	Total aluminum (thousand pounds)
Agriculture, Department of	47,010	1,085	45
Army, Department of	36,425	1,510	90
Atomic Energy Commission	103,603	6,404	5,804
Civil Aeronautics Administration	25,317	1,432	515
Defense, Department of	2,391,945	261,823	228,739
Defense Electric Power Administration	206,025	62,250	61,300
Defense, Fisheries Administration	509	25	4
Defense Materials Procurement Agency	50,750	2,100	250
Defense Solid Fuels Administration:			
Coal mine construction	13,050	355	25
Coke oven construction	26,180	410	5
Defense Transport Administration	90,240	2,684	150
Federal Civil Defense Administration	15,000	60	20
Federal Security Agency:			
Education	145,000	5,420	200
Hospitals	75,025	3,025	170
General Services Administration	25,145	3,470	100
Housing and Home Finance Agency	95,000	3,320	100
Interior, Department of	5,718	148	25
Maritime Administration	128,875	2,020	150
OIT-MSA	951,500	10,370	2,000
Petroleum Administration for Defense	1,903,750	9,050	1,500
Public Roads, Bureau of	352,000	610	200
Veterans' Administration	8,817	1,275	55
General claimants, total	6,793,544	378,833	301,447
NPA (excluding reserves) total	15,190,191	984,500	414,491
NPA reserves (general)	125,000	11,000	15,000
NPA reserves (hardship cases)	55,000	4,000	3,000
NPA—Field case account	810,630	28,052	18,000
DPA—Total reserve set asides	2,434,995	105,408	51,213
Grand total	25,403,330	1,511,796	803,151
Supply	21,611,800	1,301,000	710,000
Percent of supply	117.6	116.2	113.1

Exhibit 15

Summary of Certificates of Necessity Issued Through March 18, 1952, for Facilities for Production of Textiles

Summary—Textile industry

	Number of companies	Number of TA certificates issued	Facilities amount
			Thousands
Scouring and combing plants	3	3	$417
Woolen and worsted fabrics	5	5	5,027
Yarn throwing mills	1	1	18,759
Yarn mills, cotton system	4	4	10,421
Cotton broadwoven fabrics	30	27	30,052
Rayon and related broadwoven fabrics	2	2	720
Narrow fabrics and other smallware mills	2	2	432
Dyeing and finishing textiles, except woolen and worsted textiles	4	4	812
Felt goods, except woven felts and hats	1	1	68
Artificial leather, oilcloth and other impregnated fabrics	4	4	151
Jute, except felt, and linen goods	2	2	70
Cordage and twine	1	1	23
	49	56	56,952
Synthetic fibers	1	2	114,300
Total	50	58	171,252

Source: Defense Production Administration, Office of Resources Expansion, Apr. 1, 1952.

Listing of certificates of necessity issued to companies in the textile industry

TA No.	Applicant	Facilities location		Date filed	Product	Facilities amount	Date certified
		City	State				
	Scouring and combing plants:					*Thousands*	
2516	Burlington Mills Corp	Cramerton	North Carolina	Feb. 7, 1951	Combed cotton yarns	$200	[1] May 29, 1951
2643	West Boylston Manufacturing Co. of Alabama.	Boylston	Alabama	Feb. 9, 1951	Cotton yarn	174	Do.[1]
9966	Kroy, Inc	Lowell	Massachusetts	June 4, 1951	Processing wool to render shrink resistant	43	[1] Dec. 20, 1951
	Total amount					417	
	Woolen and worsted fabrics:						
2254	Angus Park Woolen Co., Inc	Hanover	Connecticut	Feb. 1, 1951	Flannel, blue	838	[1] June 1, 1951
2406	William Whitman Co., Inc	Lawrence	Massachusetts	Feb. 6, 1951	Vat dyed wool serge cloth	213	[1] May 10, 1951
3882	Peerless Textiles, Inc	Cleveland	Tennessee	Mar. 7, 1951	Woolen cloth	2, 250	[1] Mar. 19, 1951
3883	Peerless Woolen Mills	Rossville	Georgia	do	Woolen fabrics for Navy clothing	1, 963	Do.[1]
9091	Ames Worsted Co	Lowell	Massachusetts	May 8, 1951	Treating wool—shrink proof	63	[1] Aug. 10, 1951
	Total amount					5, 027	
13	Yarn throwing mills: North American Rayon Co.	Childersburg	Alabama	Nov. 1, 1950	High tenacity viscose rayon yarns	18, 759	[1] Feb. 15, 1951
	Yarn mills, cotton system:						
456	Eastern Rayon Mills, Inc	Parkersburg	West Virginia	Dec. 6, 1950	High tenacity rayon tire yarn	9, 039	Feb. 15, 1951
1818	Jewel Cotton Mills, Inc	Thomasville	North Carolina	Jan. 23, 1951	Combed cotton yarn	407	May 29, 1951
7586	J. P. Stevens & Co., Inc	Stanley	do	Mar. 28, 1951	15/1 direct spun yarn	15	[1] Aug. 6, 1951
6839	Gastonia Combed Yarn Corp	Gastonia	do	Mar. 23, 1951	Combed cotton yarn	824	[1] Sept. 21, 1951
	Total amount					10, 421	
	Cotton broadwoven fabrics:						
365	Wm. E. Hooper & Sons Co	Baltimore	Maryland	Nov. 30, 1950	Cotton duck-filter cloth	355	[1] Apr. 3, 1951
435	Guadalupe Valley Cotton	Cuero	Texas	Dec. 5, 1950	Cotton flat duck	257	May 25, 1951
500	Mills Mill-Woodruff plant	Woodruff	South Carolina	Dec. 8, 1950	Cotton cloth, 5 ounce wind-resistant twill	1, 256	[1] Apr. 3, 1951
501	Fairforest Co	Clevedale	do	do	Fire resistant finishes on service type cotton.	149	[1] Aug. 2, 1951
584	Chesnee Mills Inc	Chesnee	do	Dec. 12, 1950	Cotton uniform twill	1, 531	[1] Apr. 3, 1951
702	Mills Mill-Saxon plant	Spartanburg	do	Dec. 18, 1950	Cotton cloth	956	Apr. 4, 1951
823	W. A. Handley Manufacturing Co	Roanoke	Alabama	Dec. 21, 1950	Cotton duck	300	[1] Mar. 16, 1951
884	Spartan Mills	Spartanburg	South Carolina	Dec. 26, 1950	Army duck, light numbered duck	335	Do.[1]
1255	Romac Mills, Inc	Memphis	Tennessee	Jan. 5, 1951	Cotton duck	398	Do.[1]
1577	Spartan Mills	Spartanburg	South Carolina	Jan. 16, 1951	Army duck	380	Do.[1]
1668	Brookside Mills, Inc	Knoxville	Tennessee	Jan. 18, 1951	Cotton duck, balloon cloth	4, 586	Do.[1]
1688	Mexia Textile Mills, Inc	Mexia	Texas	do	Numbered duck, flat duck	203	Do.[1]
1746	Pacolet Manufacturing Co	New Holland	Georgia	Jan. 22, 1951	Army duck cloth	1, 871	Do.[1]
2075	Dallas Mills, Inc	Dallas	North Carolina	Jan. 29, 1951	Cotton and uniform twill	79	[1] May 29, 1951

2310	Limestone Manufacturing Co	Gaffney	South Carolina	Feb. 2, 1951	Shelter duck	1,099	[1] Mar. 16, 1951
2539	James Lees & Sons Co	Glasgow	Virginia	Feb. 8, 1951	Production, impregnation, and treatment of cotton duck.	1,345	[1] Apr. 15, 1951
2889	Jefferson Mills, Inc	Jefferson	Georgia	Feb. 15, 1951	Cotton cloth, wind resistant oxford and poplin.	1,052	May 29, 1951
2997	Old Colony Manufacturing Corp	Tauton	Massachusetts	Feb. 16, 1951	Number and Army duck	473	[1] Apr. 27, 1951
3982	Spartan Mills	Spartanburg	South Carolina	Mar. 9, 1951	Cotton duck No. 10 Army duck	312	[1] June 6, 1951
4200	West Point Manufacturing Co	Langdale	Alabama	Mar. 14, 1951	No. 10 cotton duck	679	[1] Apr. 30, 1951
4268	Burlington Mills, Inc	Greensboro	North Carolina	do	Chemical research in connection with new textile fibers.	175	May 16, 1951
4832	Callaway Mills Co	LaGrange	Georgia	Mar. 20, 1951	Cotton duck webbing yarns	24	[1] June 6, 1951
4833	Do	do	do	do	Cotton duck No. 6 and 8, Army duck	6	[1] May 31, 1951
6059	Mohawk Carpet Mills, Inc	Amsterdam	New York	Mar. 23, 1951	Manufacture of cotton duck	1,355	[1] Feb. 11, 1952
8910	United States Rubber Co	Shelbyville	Tennessee	May 4, 1951	Cotton duck	355	[1] July 12, 1951
12696	Blackstone Mills, Inc	Clinton	Massachusetts	June 19, 1951	Duck cotton grey cloth	9	[1] Feb. 20, 1952
12766	Philadelphia Carpet Co	Philadelphia	Pennsylvania	June 22, 1951	Cotton duck	312	[1] Feb. 28, 1952
	Total amount					20,052	
	Rayon and related broadwoven fabrics:						
1781	Clinton Woolen Manufacturing Co	Clinton	Michigan	Jan. 22, 1951	Woolens for uniform fabrics	89	[1] Oct. 12, 1951
6696	Chicopee Manufacturing Corp. of Georgia.	Cornelia	Georgia	Mar. 23, 1951	Duck cloth	631	[1] [2] Feb. 20, 1952
	Total amount					720	
	Narrow fabrics and other smallwares mills:						
2263	Phoenix Trimming Co	Chicago	Illinois	Feb. 1, 1951	Parachute harness and pack webbings	400	[1] May 29, 1951
5434	Lea & Sachs, Inc	Dodson	North Carolina	Mar. 22, 1951	Cotton and synthetic webbing	32	June 25, 1951
	Total amount					432	
	Dyeing and finishing textiles, except woolen and worsted textiles.						
886	Philadelphia Textile Finishers, Inc	Norristown	Pennsylvania	Dec. 26, 1950	Finishes to cotton duck	52	[1] Apr. 3, 1951
1256	American Finishing Co	Memphis	Tennessee	Jan. 5, 1951	Textile finishing of cotton cloth	576	[1] Sept. 21, 1951
11968	Textileather Corp	Toledo	Ohio	June 13, 1951	Impregnating cotton textiles	61	[1] Feb. 26, 1952
15359	Verney Corp	West Peterborough.	New Hampshire.	Oct. 30, 1951	Nylon and rayon fabrics for parachutes	123	[1] Mar. 6, 1952
	Total amount					812	
6314	Felt goods, except woven felts and hats: Bishop Manufacturing Corp.	Cedar Grove	New Jersey	Mar. 23, 1951	Self-bonding electrical insulating tape	68	Feb. 14, 1951 [3] Sept. 22, 1951

[1] Military.
[2] Facilities acquired prior to Sept. 23, 1950, have been previously certified prior to Sept. 23, 1951.
[3] 101AA.

Listing of certificates of necessity issued to companies in the textile industry—Continued

TA No.	Applicant	Facilities location		Date filed	Product	Facilities amount	Date certified
		City	State				
	Artificial leather, oilcloth and other impregnated fabrics:					*Thousands*	
1657	Irvington Varnish and Insulator	El Monte	California	Jan. 17, 1951	Coated and impregnated textiles (vinyl, neoprene, silastic, teflon coatings on cotton nylon, etc.).	42	July 27, 1951
6161	Marmeo, Inc	Costa Mesa	do	Mar. 23, 1951	Resins, adhesives and impregnated nylon on fiberglas for tape, etc.	63	July 5, 1951
7058	Swedlow Plastics Co	Youngstown	Ohio	do	Laminating or coating of fiberglas, cotton and nylon fabrics.	25	[1] Dec. 14, 1951 [1] Sept. 22, 1951
8902	Mente & Co., Inc	New Orleans	Louisiana	Apr. 30, 1951	Mildewproofing and coating of fabrics	21	Aug. 10, 1951
	Total amount					151	
	Jute, except felt, and linen goods:						
2565	Murdock Webbing Co	Central Falls	Rhode Island	Feb. 8, 1951	Cotton webbing	40	May 29, 1951
8597	American Cord & Webbing Co	do	do	Apr. 25, 1951	Treating webbing	30	Aug. 8, 1951
	Total amount					70	
338	Cordage and twine: Natona Mills, Inc	Dallas	Pennsylvania	Nov. 20, 1951	Cotton twine netting	23	Apr. 17, 1951
	Synthetic fibers:						
88	Chemstrand Corp	Decatur	Alabama	Nov. 10, 1951	Staple synthetic fiber	25,800	Mar. 14, 1951
243	do	United States at Large.		Nov. 22, 1951	Nylon	88,500	Do.
	Total amount					114,300	

[1] Military.

Source: Defense Production Administration, Office of Resources Expansion, Apr. 1. 1952.

EXHIBIT 16

DEFENSE PRODUCTION ADMINISTRATION

DPA–194
Steel Production
Expansion Goal

For Immediate Release
Tuesday, December 18, 1951

A production expansion goal calling for an output of 120,000,000 ingot tons of steel a year by the beginning of 1954 was announced today by Ralph S. Trigg, Deputy Administrator of the Defense Production Administration for Program and Requirements.

DPA also announced that sufficient tax amortization certificates have already been issued to assure the needed expansion, and that no more such certificates are to be issued.

DPA set expansion goals for construction of coke ovens, blast furnaces and for the erection of plants to refine low-grade taconite ore to provide a balanced program for increased steel production. Establishment of these goals permits the issuance of tax amortization certificates to encourage the construction of the additional plants needed. These certificates will permit the charging off of at least part of the cost of the plants as depreciation for tax purposes over a five-year period. The normal period of depreciation for tax purposes is about 25 years.

The expansion goals follow:

Steel.—An effective output of 120,000,000 ingot tons a year by the beginning of 1954. DPA said that tax amortization certificates have already been issued for approximately 23,000,000 ingot tons of capacity in addition to the 100,000,000 tons of capacity in existence July 1, 1950. It is expected that this additional capacity will enable the industry to run in 1954 at a sustained level of 120 million net tons a year

DPA explained there are three reasons why it was necessary to issue tax amortization certificates for 23,000,000 net tons of additional steel ingot capacity to insure an effective production of 120,000 tons a year:

1. The steel industry cannot be expected to maintain production levels at 100 percent of capacity or better indefinitely. Past experience has shown that even in periods of full demand the industry cannot be expected to operate as high as 100 percent of capacity for long periods of time.

2. Some present capacity for producing steel ingot can be expected to become obsolete and scrapped in the next few years.

3. There is no assurance that all of the tax amortization certificates that have been issued for increased steel ingot production actually will be used.

Blast Furnaces.—The expansion goal for blast furnace capacity was set at 85,000,000 net tons as of the beginning of 1954, an increase of about 3,100,000 net tons of capacity in addition to the capacity of 81,900,000 net tons reported by the Iron and Steel Division of the National Production Authority, U. S. Department of Commerce, on November 30, 1951, as being in operation or under construction.

This expansion goal includes facilities to produce pig iron and castings, but excludes ferro-alloy capacity. The 85,000,000 net tons of capacity was determined to be adequate only if the present ratio of the use of scrap to pig iron in blast furnaces can be maintained. If experience shows that the present ratio cannot be maintained because sufficient scrap is not available, more blast furnace capacity will be needed. DPA also approved the expansion of limestone and dolomite quarries to permit a balanced operation of the new blast furnace capacity. Limestone and dolomite are used in both blast furnaces and steel furnaces for purification of iron and steel.

Coke ovens.—The expansion program for by-product coke ovens was set at 84,000,000 net tons by the end of 1953, an increase of 10,000,000 net tons over the pre-Korea capacity. This will be sufficient to supply the coke necessary for making pig iron, ferro-alloys, castings and for other industrial and household uses. Beehive oven production of coke is expected to continue at approximately the present level of 7,000,000 to 8,000,000 net tons annually.

The coke oven expansion program also calls for the building of complementary facilities for the mining and washing of metallurgical-grade coal required for a balanced operation of the new by-product coke oven capacity. These facilities will be needed, DPA said, to insure adequate coal of the proper grade to produce coke.

Taconite.—The expansion goal for taconite "beneficiation" was set at 15,000,000 gross tons of iron ore annually as of the beginning of 1956, which means the

processing of approximately 45 million tons of taconite a year. The expansion goal also includes the complementary facilities for docks and ore boats to the extent that they are not already available. Taconite is low-grade iron ore. Before it can be successfully used in blast furnaces, it must go through elaborate processing called "beneficiation." DPA said that the production of high-grade iron ore from the Mesabi range in Minnesota will drop sharply beginning about 1956, and this nation will than have to rely on the practically inexhaustible supplies of taconite available from Mesabi for its domestic supplies of iron ore. Because it is expected to take nearly four years to build the necessary beneficiation plants required before this taconite can be used, DPA has set at this time a goal for taconite beneficiation.

In review, DPA said that the over-all steel expansion program has been under study since the fall of 1950 when the Secretary of Commerce asked the steel industry to make estimates of the increase in capacity which they felt they could undertake, in excess of the 100,000,000 net tons of ingot capacity in existence on July 1, 1950. As an incentive, the industry was promised tax amortization certificates.

The industry first proposed an expansion to between 105,000,000 and 106,000,000 net tons of ingot capacity annually, later increasing this figure to 118,000,000 tons by 1953. This has now been increased an additional 5,000,000 net tons, or a total of 123,000,000. However, since the industry cannot be expected to maintain production at 100 percent of capacity and since some facilities will have to be dismantled because of obsolescence, production is expected to reach about 120,000,000 tons by January 1954.

However, to insure the production goal for steel, it is necessary to have sufficient scrap and pig iron. Steel ingots are customarily made of approximately equal proportions of pig iron and scrap. The Government, in cooperation with the steel industry, is now trying to increase the supply of scrap through scrap collection campaigns. The additional scrap is urgently needed if in the months ahead steel production is to be maintained at the present rate, DPA said.

However, from a longer-range point of view, the scrap collected now may to some extent reduce the amounts of scrap that will be available in the future. Therefore, it may be necessary to provide additional blast furnaces beyond the 85-million ton goal to supply the metal needed for steel production in the period ahead when the availability of scrap might be reduced.

To operate additional blast furnaces, the industry will also need more coke over facilities. The expansion goal for coke ovens was designed to provide the additional coke needed to support the over-all steel expansion program.

With regard to iron ore, DPA said it appears that sufficient supplies will be available to meet production goals for the next four years, but the supply of high-grade ore from the Mesabi range is expected to drop sharply about 1956.

There is, however, a virtually inexhaustible supply of low-grade ore, taconite, in the Mesabi range that can be used in making pig iron. Taconite, DPA said, is one of the hardest rocks known and contains finely diffused particles of iron ore making up 25 to 30 percent of the rock. Before taconite could be successfully mined, a new drilling process known as "jet-piercing" had to be developed.

A jet-piercing drill is a jet flame with a temperature of 4,500 degrees Fahrenheit, which is played upon the taconite rock. Under this intense heat the rock bursts and may then be taken out of the mine for refining.

Several refining or "beneficiation" processes recently have been developed, but they are still in the pilot-plant stage. Under these processes, the taconite rock is first ground to the fineness of face powder. Because of the large amount of dust, this grinding has to be done under water.

The iron particles are then separated from the powder by a magnetic process, and rolled into pellets the size of large marbles. The marble-sized pellets are then baked in high-temperature ovens until they are hard enough to withstand the rough handling of shipment by ore boats and rail cars without breaking up. The pellets must be of the proper size, DPA said, to permit an adequate circulation of air in the blast furnaces.

These pellets, as they go into the blast furnace, contain about 63 percent iron ore, as compared with an average iron-ore content of about 51 percent of the high-grade Great Lakes ores presently used.

The building of taconite beneficiation plants is expensive, DPA said, and it is expected that the steel industry may have to invest about $500,000,000 in this process to reach the production goal. Because it will take about four years to build these beneficiation plants, construction should begin now if the facilities

are to be ready when the high-grade iron ore supplies begin to decline seriously in 1956, DPA said.

DPA has authorized the issuance of tax amortization certificates to encourage the construction of the necessary beneficiation plants for the following reasons:

1. The large capital investment required.

2. The methods presently used in beneficiating taconite ore are now only in pilot-plant operation and the process has not been fully proved. Presently planned plants may be made obsolete as new processes are developed. This creates an unusual financial risk.

3. New iron ore developments in Venezuela and in other foreign places may constitute a cheaper supply than taconite, but in case of war the overseas supply lines might be cut off. Therefore, an adequate supply of iron ore from taconite is a matter of national security, and should be encouraged by Government assistance.

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EXHIBIT 17

Necessity certificates for pig iron, steel ingot and steel finishing facilities issued January 1, 1952, through March 18, 1952, by company and by facility location

Company and facility locations	Company size [1]	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
				Pig iron	Steel ingots			
					Open hearth	Electric		
			Thou. dols.					
Alan Wood Steel Co.	(L)							
Morris County, N. J.		9343	1,750					35,000,000 pounds of iron powder.
Conshohocken, Pa.		9342	8,008		75,000			
		13125	6,445				25,000 tons stainless sheets; 60,000 tons cold-rolled plates, sheets, and strip.	
Allegheny Ludlum Steel Corp.	(L)							
Brackenridge, Pa.		15659	9,170				300,000 tons silicon, alloy, and stainless strip.	
		16873	1,000					Maintain production in other facilities.
West Leechburg, Pa.		16871	200					Do.
		16872	810					Do.
Armco Steel Corp., Butler, Pa.	(L)	8388	1,898				24,000 tons electrical sheet and coils	
Baldwin-Lima-Hamilton Corp., Burnham, Pa.	(L)	11138	20					Do.
		11139	31					Maintain production of breech rings.
		11142	40					Maintain production of car axle forgings.
Bethlehem Pacific Coast Steel Corp.	(L)							
South San Francisco, Calif.		9443	215		6,000			
Vernon, Calif.		9442	1,322				6,000 tons wire; 12,000 tons nails.	
Seattle, Wash.		9444	142				2,500,000 bolts.	Maintain production of ingots.
Bethlehem Steel Co.	(L)							
Sparrows Point, Md.		9,436	2,488	55,000				Maintain production of ingots and finished products.
		9,649	32,500	600,000				Production of coke.
Lackawanna, N. Y.		9,437	2,250					Maintain production of pig iron, ingots and strip steel.
Bethlehem, Pa.		9,433	2,890		84,000		1,000 tons tool steel; 2,500 tons drop forgings.	Maintain production of pig iron.
Johnstown, Pa.		9,438	2,576				10,000 tons nails; increase in production of railroad cars and parts.	

Steelton, Pa.		9,434	1,635				30,000 tons fabricated steel plate	Scrap salvage; maintain production of pig iron.
Leetsdale, Allegheny Co., Pa.		9,439	266				18,000 tons galvanized steel for transmission towers.	
Rankin, Pa.		9,440	288					Maintain maximum fabrication of structural steel.
A. M. Byers Co., Economy, Pa.	(S)	10,415	5,619			25,000	20,000 tons slabs, blooms and billets.	
Central Iron & Steel Co.	(S)							
Harrisburg, Pa.		15,185	21,950	288,000	657,000		657,000 tons steel plate	240,000 tons of coke.
Phoenixville, Pa.		15,183	29,000	288,000	316,320		600,000 tons structural shapes	Do.
Claymont Steel Corp., Claymont, Del.	(S)	16,370	122					Facilities to heat-treat steel plates.
Continental Steel Corp., Kokomo, Ind.	(S)	9,018	585					Maintain production of ingots, blooms and rods.
Copperweld Steel Co., Warren, Ohio	(L)	14710	15,266				180,000 tons seamless tubing	
Erstern Stainless Steel Corp., Baltimore, Md.	(S)	9021	119				6,000 tons stainless-steel slabs	
Follansbee Steel Corp., Follansbee, W. Va.	(S)	15713	602					Maintain production of hot-rolled steel.
Geneva Steel Co., Provo, Utah	(L)	3044	5,668				188,000 tons of hot-rolled sheets	
Globe Iron Co., Jackson, Ohio	(S)	9131	1,559	81,600				
Globe Steel Tubes Co., Milwaukee, Wis.	(S)	10844	609				27,000 tons carbon, alloy and stainless, seamless tubing.	
		10845	106					Maintain production of seamless tubing.
		10846	81				Increased production of stainless, welded tubing.	
		11788	78					Maintain production of seamless tubes.
		15356	1,174				52,000 tons carbon, alloy and stainless, seamless tubing.	
Ingersoll Products Division, Borg-Warner Corp., Chicago, Ill.	(L)	4456	1,494			90,000	51,600 tons carbon steel sheets	
Inalnd Steel Co., Indiana Harbor, Ind.	(L)	9263	3,032				Increased production of blooms and slabs.	
		9265	2,100					Maintain and facilitate operations.
		10336	170					Maintain ingot production.
Interlake Iron Corp., Chicago, Ill.	(L)	14268	6,400	141,120				
Erie, Pa.		14269	7,500	100,800				
Jackson Iron & Steel Co., Jackson, Ohio.	(S)	15468	758					Maintain maximum production of high silicon pig iron.
Jones & Laughlin Steel Corp., Pittsburgh, Pa.	(L)	10121	509					Maintain production of sheet, strip, and tin plate.
		10661	280					Maintain steam pressure.
Kaiser Steel Corp., Fontana, Calif.	(L)	8443	2,934					Maintain production of steel ingots.
		10238	1,190					Do.
Keystone Steel & Wire Co., Peoria, Ill.	(S)	10534	130				38,000 tons wire rods	

See footnotes at end of table, p. 849.

Necessity certificates for pig iron, steel ingot and steel finishing facilities issued January 1, 1952, through March 18, 1952, by company and by facility location—Continued

Company and facility locations	Company size [1]	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
				Pig iron	Steel ingots			
					Open hearth	Electric		
Laclede Steel Co.	(L)		*Thou. dols.*					
Alton, Ill.		8434	205					Service facilities.
		8435	350					Maintain production of billets.
		11971	62				Increased production of skelp	
		11973	289		15,000			
		12191	225				22,590 tons patented rods	
		13753	1,019				165,300 tons blooms and billets	
		14548	817				342,900 tons billets	
New Orleans, La.		7148	310				12,000 tons fabricated steel	
Latrobe Electric Steel Co.	(S)							
Melrose Park, Ill.		8,796	104					Warehousing and distribution of 2,700 tons of tool steel.
Warren Township, Macomb Co., Mich.		8,795	154					Warehousing and distribution of 4,500 tons tool and stainless steels.
Lone Star Steel Co., Lone Star, Tex.	(L)	15,265	50,650	400,000	299,200			Battery of 78 coke ovens.
National Steel Corp., Weirton, W. Va.	(L)	7,734	567				53,520 tons cold-roll annealed strip steel and sheets.	
National Supply Co.	(L)							
Torrance, Calif.		11,049	100				228 pieces table gear forgings	
Etna, Pa.		10,208	42				Increase production of cold-welded pipe, coupling stock, and raw conduit.	
		10,209	59				5,663 tons cold-welded pipe, conduit, and welding stock.	
Newport Steel Corp., Martins Ferry, Ohio.	(L)	15,782	51					Maintain production of pig iron.
Phoenix Manufacturing Co.	(S)							
Joliet, Ill.		9,162	603				97,200 tons rounds, squares, flats, special sections, and small structural shapes.	
		12,609	130					Maintain production of steel forgings.
Catasauqua, Pa.		8,752	552				4,800 tons steel forgings	
Pittsburgh Steel Co.	(L)							
Allenport, Pa.		6,621	60					Maintain maximum production of tubing and casing.
Monessen, Pa.		6,622	55					Maintain production of blooms.
		6,625	43					Maintain production of pig iron.
		6,626	23					Do.
H. K. Porter Co., Inc., Buffalo Steel Division, Tonawanda, N. Y.	(L)	[2] 15,937	1,628				20,000 tons, structural shapes, merchant bars, concrete reinforcing bars.	
John A. Roebling's Sons Co., Roebling, N. J.	(L)	9,362	58		23,962			Maintain production of steel ingots.
		14,038	42					

H. K. Porter Co., Inc., Buffalo Steel Division, Tonawanda, N. Y.	(L)	[2] 15,937	1,628				20,000 tons, structural shapes, merchant bars, concrete reinforcing bars.	
John A. Roebling's Sons Co., Roebling, N. J.	(L)	2,362 14,338	58 42		23,992			Maintain production of steel ingots.
Rotary Electric Steel Co., Warren Township, Mich.	(S)	9,451	475				65,800 tons, carbon alloy and stainless-steel billets and bars.	
Seminole Steel Corp., Jacksonville, Fla.	(L)	8,625	1,775			35,000	30,000 tons, rods and steel bars	
Stanley Works, New Britain, Conn.	(L)	7,617	139				50,400 tons, cold-rolled strip steel	
Tennessee Coal, Iron & Railroad Co., Birmingham, Ala.	(L)	3,030	3,328					Maintain production of pig iron and open hearth ingots.
Timken Roller Bearing Co.	(L)							
Canton, Ohio		11112	708					Maintain production of bars, billets, tubes, superalloys and tool steels.
		11113	320					
Wooster, Ohio		11115	120					Maintain production of alloy and stainless-steel tubes.
United States Steel Co.	(L)							
Gary, Ind.		16513	1,197	48,000				Maintain production of pig iron.
		17060	658					
Youngstown, Ohio		16802	1,440					Do.
Braddock, Pa.		10444	4,397				17,000 tons ingot molds	Maintain production of 73,000 tons of stools.
Clairton, Pa.		10445	374					Maintain production of open-hearth ingots.
Munhall, Pa.		10445	229					Do.
Vandergrift, Pa.		10445	243					Do.
Universal Cyclops Steel Corp.	(S)							
Bridgeville, Pa.		10492	325					Maintain production of hot and cold finished products.
Titusville, Pa.		10493	250					Maintain production of specialty and tool steels.
Valley Mould & Iron Corp., Chicago, Ill.	(L)	15544	4,560				180,000 tons ingot molds and stools for production of steel ingots.	
Wallingford Steel Co., Wallingford, Conn.	(L)	8792	183					Maintain production of tank heads, etc.
		9485	498				Increased production of electric resistance welded carbon and stainless-steel tubing.	
Wheeling Steel Corp.	(L)							
Steubenville, Ohio		10039	16,135				150,000 tons Bessemer ingots	Complementary facilities for 120,000 tons cold reduced sheets.
Yorkville, Ohio		12837	500				90,000 tons tin plate and black plate.	
Beech Bottom, W. Va.		3076	92					Maintain production of ingots.
Benwood, W. Va.		12079	1,410				50,000 tons skelp	
Woodward Iron Co., Woodward, Ala.	(L)	10688	96					Maintain production of pig iron.
Yolo Steel & Metal Co., Sacramento, Calif.		440	44,405	250,000				Complementary facilities for production of coke.

[1] The letter L signifies large independent companies and large central office companies. The letter S signifies small independent companies and small central office companies. Size classification based on Size Classification of Manufactures, Business Information Service, Department of Commerce, November 1951.

[2] Revised.

Source: Defense Production Administration, Office of Resources Expansion, Apr. 1, 1952.

Necessity certificates for pig iron, steel ingot, and steel finishing facilities issued through Dec. 31, 1951, by company and by facility location

Company and facility location	TA No.	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
			Pig iron	Steel ingots			
				Open hearth	Electric		
		Thous. dols.					
Alan Wood Steel Co., Conshohocken, Pa.	3207	3,915		75,000			
Allegheny Ludlum Steel Corp.:							
Ferndale, Mich.	2794	385				Carmet powder and carmet tipped tools	
Watervliet, N. Y.	1631	3,242			72,000		
	2151	3,200				14,400 tons alloy extruded tubes and shapes	
	4417	135				342 tons titanium and titanium-based alloy ingots.	
Brackenridge, Pa.	471	5,206				18,000 tons stainless, silicon, and high-alloy sheets.	
	1630	15,645				262,800 tons hot-rolled silicon and alloy sheets and strips.	
	2152	1,244				Production of silicon laminations	
	5580	261					Maintain production of other facilities.
West Leechburg, Pa.	1632	3,800				26,000 tons cold-rolled stainless strip; 60,000 tons cold-rolled silicon strip.	
	5579	736				Production cold-rolled stainless steel sheets	
	5581	51				33,000 tons silicon and stainless strip	
American Shim Steel Co., New Kensington, Pa.	2951	321				24,000 tons strip and special shim steel	
American Steel & Wire Co. of New Jersey:							
New Haven, Conn.	3040	352				Increased production of wire rope and strand	
Joliet, Ill.	3034	258				Increased production of wire rods	
Waukegan, Ill.	3035	531				Increase in wire production	
Greensburg, Ind.	3043	193				Increased production of "cyclone" fencing and wire screen mesh.	
Worcester, Mass.	3037	1,045				Increased production of rods, wire, and strip	
Duluth, Minn.	3032	1,652				6,265 tons nails	
Trenton, N. J.	3041	89				Increased production of plow steel and wire rope.	
Cleveland, Ohio	3036	2,210				7,000 tons wire: 44,600 tons hot-rolled strip	
	3042	32				Increased production of annealed wire	
	3031	264					Maintain maximum production of coke and pig iron.
Donora, Pa.	3033	719				15,800 tons coarse wire	
Rankin, Pa.	3039	67				Increased production of nails	

Armco Steel Corp.:							
Ashland, Ky.	377	32,000				236,520 tons hot-rolled and galvanized sheets and coils.	
Middletown, Ohio	379	49,047	504,000	580,000		Production of hot-rolled and cold-rolled coils and sheets.	
Zanesville, Ohio	378	1,427				24,000 tons hot-rolled electrical steel sheets	
Houston, Tex	299	12,244		168,000	150,000		
	300	30,000	274,000				Battery coke ovens, ore, and coal mines.
Atlantic Steel Co., Atlanta, Ga	4575	2,082			120,000		
Babcock-Wilcox Tube Co., Beaver Falls, Pa.	1174	6,315			90,000	36,000 tons alloy and stainless steel tubing	
	8280	5,750			96,000	15,000 tons seamless alloy and stainless tubing.	
Bethlehem Pacific Coast Steel Corp.:							
South San Francisco, Calif.	1120	390		15,000		6,000 tons transmission towers; 180 tons bolts, nuts, rivets, etc.	
Vernon, Calif.	1119	4,295			144,000	Production bars, nuts, bolts, and wire	Scrap preparation yard and billet mill.
	1149	2,123			60,000		
Seattle, Wash.	1121	152				Production of billets, bolts, and nuts	
	1125	1,579				18,000 tons structural steel	
Bethlehem Steel Co:							
Sparrows Point, Md.	1115	45,010		600,000		Production of coke, sheets, wire, and nails	Maintain maximum production of pig iron.
	1148	19,613	260,000	140,000		Production of coke, slabs, and sheets	
	8574	5,500					To handle 2,000,000 tons iron ore.
Lackawanna, N. Y.	1103	28,310	240,000	360,000		Production of blooms, slags, sheets, rails, etc.	
	1145	56,000	600,000	720,000			Production of coke and blooms.
	1146	6,250					Ship canal, incidental to production of hot metal.
Bethlehem, Pa.	1116	4,341	240,000	188,000			Production of miscellaneous foundry products.
	1150	3,586				72,000 tons cast iron ingot molds	
	7893	28,780	540,000				Production of coke and coal chemicals.
Johnstown, Pa.	1117	28,791	84,000	420,000		Production of coke, blooms, slabs, billets, and miscellaneous products.	
Lebanon, Pa.	1118	1,703				Production of bolts, nuts, rivets, and pipe couplings.	
Pottstown, Pa.	1123	75				Fabrication of steel products.	
	1124	65					Equipment for erection of fabricated structures.
Steelton, Pa.	1114	2,046		172,000			Rail processing and fabricating.
	1147	2,831		180,000		Production of slabs.	
Williamsport, Pa.	6256	370				4,000 tons wire rope centers; 1,800 tons wire rope slings.	
The E. & G. Brooke Iron Co., Berks County, Pa.	3214	175	13,670				
A. M. Byers Co., Economy, Pa.	3951	2,082				60,000 tons coils, sheets, and strip; 30,000 tons hot-rolled wrought iron products.	
Cameron Iron Works, Inc., Houston, Tex.	2604	2,915				Increase production of steel forgings	

Necessity certificates for pig iron, steel ingot, and steel finishing facilities issued through Dec. 31, 1951, by company and by facility location—Con.

Company and facility locations	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
			Pig iron	Steel ingots			
				Open hearth	Electric		
		Thous. dols.					
Carpenter Steel Co., Reading, Pa	3248	7,152				28,800 tons flats and bands; 12,640 tons round rods; 9,000 tons round bars.	
Central Iron and Steel Co.:							
Chester, Pa	1023	1,150	189,000				
Harrisburg, Pa	1024	3,824		138,000		Production of slabs, blooms, and plates	
Claymont Steel Corp., Claymont, Del	4517	667		108,000		Production or sheared plates, flanged and dished heads.	
	14367	2,526		72,000		115,200 tons ship plate	
The Cold Metal Products Co., Youngstown, Ohio	1480	1,288				15,000 tons cold-rolled low-carbon strip	
Colorado Fuel & Iron Corp.:							
Pueblo, Colo	13256	600	45,000				
	14985	1,237	73,000				
	8052	73					Maintain production of hot metal.
	4388	6					Handling of materials.
	9007	789		180,000			
	9005	25					Maintain production of open hearth steel.
	13255	200					Provide electric energy.
	8054	20				83,200 tons railroad rails and billets	
	13254	950				200,000 tons blooms, slabs, billets, and shapes	
	1463	1,730					Electrical service equipment.
	5237	65				14,400 tons light welded steel fabric	
	4511	100				75 tons high-carbon patented wire	
	4387	6				10,000 tons drawn wire	
	1550	173				26,250 tons galvanized wire	
	1551	241				36,000 tons wire	
	4383	55				Production of wire strand	
	4386	9				5,000 tons wire	
	5235	21				9,360 tons coiled bale tie wire	
	7086	156				3,600 tons high carbon wire	
	8048	50				4,290 tons annealed wire	
	8049	93				9,100 tons rods	
Clinton, Mass	5230	6				1,200 tons crimped wire	
	5231	87				Production of industrial wire cloth	
	7088	4				Production of steel mesh conveyor belts	
	7090	9				Production of curved structural steel and trolley track.	

	9006	30				1,248 tons galvanized wore cloth, netting, and fencing.	
Palmer, Mass	7087	20				Production of wire rope	
	9008	300				15,396 tons low and high carbon rod and wire	
	9009	12				5,000 tons steel and aluminum rod and wire	
	9010	125				Production of wire rope and strand	
	12283	80				2,100 tons drawn galvanized Signal Corps wire.	
Worcester, Mass	4392	13				750 tons tempered steel wire	
Buffalo, N. Y	12247	412	36,000				
	14752	545	28,835				
	5229	225		348,000			
	12246	300		100,000			Maintain production of finished products.
	4393	12					
	4514	21				390 tons drawn wire	
	7469	18				12,960 tons spring wire	
Columbia Steel Co., Pittsburgh, Calif	3045	22,686				150,000 tons cold-rolled sheet and strip; 5,500 tons wire.	
Connors Steel Co., Birmingham, Ala	39	1,650			19,000	Production of merchant bars, strip, and rods	
Continental Steel Corp., Kokomo, Ind	685	5,315				Production of rods, nails, and sheets	
Copperweld Steel Co., Warren, Ohio	5979	3,702			226,800	Production of bars and press forgings	
Crucible Steel Co. of America:							
Harrison, N. J	4163	802				Production of Alnico magnets, cast products, stainless steels.	
Syracuse, N. Y	4162	1,042				Production of billets, bars, sheets, etc	
	11675	1,012				1,200 tons stainless-steel wire	
Midland, Pa	176	23,000	360,000	180,000	84,000		
	175	3,166					111,600 tons of coke.
	4159	431	48,000	36,000	18,000		
	3100	3,579					Maintain production of pig iron and ingots.
Pittsburgh, Pa	4161	138					Maintain production of billets, bars, etc.
Detroit Steel Corp., Portsmouth, Ohio	385	2,347	504,000	630,000		Production of semifinished products	
	11011	961					Maintain production of pig iron, ingots.
Edgewater Steel Co., Oakmont, Pa	1790	245				22,800 tons freight-car wheels	
Empire Steel Corp., Mansfield, Ohio	73	550		80,000		30,000 tons hot-rolled plates; 313 tons hot-rolled strip.	
Fabricant Steel Products, Inc., Williamsport, Pa.	2032	962			72,000	Production of bars	
Firth-Sterling Steel & Carbide Corp., McKeesport, Pa.	2968	237				1,080 tons rods and bits; 36 tons machine tool bits; 4,200 tons alloy steel.	
	9846	34					Maintain production of carbides and tool steel.
	9882	402				360 tons steel rods; 1,800 tons high speed and alloy steel.	
Ford Motor Co., Dearborn, Mich	3375	43,482	125,560	155,000		Production of coke, slabs, hot- and cold-rolled sheet and strip.	
Geneva Steel Co., Provo, Utah	788	4,263		160,000			
Globe Iron Co., Jackson, Ohio	741	451	32,400				
	8157	1,384					Maintain production of pig iron.

Necessity certificates for pig iron, steel ingot, and steel finishing facilities issued through Dec. 31, 1951, by company and by facility location—Con.

Company and facility locations	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
			Pig iron	Steel ingots			
				Open hearth	Electric		
		Thous. dols.					
Globe Steel Tubes Co., Milwaukee, Wis.	1789	780				108,000 tons seamless-steel tubing	
Granite City Steel Co., Granite City, Ill.	1087	4,890		20,000		Production of tin plate and flat-rolled steel products.	
	1769	71,250	522,000	580,000		Production of coke, slabs, and flat-rolled steel products.	
Great Lakes Steel Corp.:							
Terre Haute, Ind.	1083	134				Increased production of steel studs	
Ecorse, River Rouge, Mich.	19	24,834	480,000	600,000			
	74	18,000					960,000 tons of coke.
	1488	8,086					Maintain production of pig iron and open-hearth ingots.
	902	2,063					Production of coke.
	1489	9,157		480,000			
	4234	25,000				960,000 tons slabs and blooms	
	3661	2,737				300,000 tons hot-rolled and cold-rolled strip	
	809	651				Production of hot-rolled and cold-rolled strip, sheets, and coils.	
Green River Steel Corp., Owensboro, Ky.	241	8,001			189,000		
Hanna Furnace Corp., Buffalo, N. Y.	900	175	12,000				
	3660	12,000	120,000				
Harrisburg Steel Corp., Harrisburg, Pa.	3809	75					Office building.
Heppenstall Co.:							
Bridgeport, Conn.	4997	75				Product of steel forgings	
Pittsburgh, Pa.	4598	1,495			500		
Hoeganaes Sponge & Iron Co., Riverton, N. J.	8339	4,119				30,000 tons iron powder	
Hoster Steel Corp., Oklahoma City, Okla.	581	531			50,000	36,000 tons plates and sheets	
Ingersoll Steel Division of Borg-Warner Corp., New Castle, Ind.	2571	562		45,000			
Inland Steel Co., Indiana Harbor, Ind.	2320	29,400		750,000		Blooming mill and hot strip facilities	
	2321	23,249		350,000		Hot mill, tin mill, cold mill, and galvanizing facilities.	Coke.
Interlake Iron Corp., Toledo, Ohio	7800	654	64,018				
International Harvester Co., South Chicago, Ill.	1484	2,082	36,500				
	4681	1,051				22,000 tons drawn steel; 5,100 tons turned steel.	

Jackson Iron & Steel Co., Jackson, Ohio	1323	2,439	12,000				
Jones & Laughlin Steel Corp.:							
Cleveland, Ohio	1464	8,955	202,000				
	8	3,182					Maintain production of pig iron.
	1465	9,259		360,000			
	1467	1,485					Maintain production of ingots.
	1466	9,145				266,400 tons plates, sheets, and strip	
	4414	92					Maintain production.
Aliquippa, Pa	5	7,249					Coke.
	2662	789					Dust-recovery equipment.
	2707	93					Slab-removal equipment.
	479	2,000				264,000 tons tube rounds	
	1683	2,241					Electric power.
	2661	1,533				12,000 tons integral joint casing; 6,000 tons integral joint tubing.	
	6	10,130				Rod mill and auxiliaries	
	7	19,702				168,000 tons black and tin plate	
Pittsburgh, Pa	1	60,959		1,200,000			
	3097	380					Maintain production of ingots.
	3098	105					Storage of scrap.
	2	23,762				707,000 tons blooms and slabs	
	3	4,625					Miscellaneous equipment.
	3258	1,462					Maintain scarfing yard operations.
	4	14,921				Bar mill	
	1684	209				Production of annealed bars	
	1685	750					Storage of bars.
	4415	191				18,000 tons armor plate	
	2708	9,393				420,000 tons plate, sheets, and strip	
Judson Steel Corp., Emeryville, Calif	2854	4,622			60,000	50,000 tons bars and billets	
Kaiser Steel Corp., Fontana, Calif	109	24,545		180,000		Production of hot dip and electrolytic tin plate.	
	6266	3,022					Maintain production of ingots.
	943	15,476				240,000 tons hot rolled sheets, plate, and skelp; 208,000 tons electric weld pipe.	
	10791	1,211				15,000 tons iron and steel castings	
	1956	63,883	420,000	180,000		Production of blooms	Coke.
Keystone Steel & Wire Co., Peoria, Ill	219	1,500		100,000			
	951	295					Open hearth ingot heating facilities.
	4862	336				12,500 tons annealed steel wire	
	7774	600				100,000 tons billets	
Laclede Steel Co., Alton, Ill	1215	492		62,255			
	6493	169					Maintain production of open-hearth steel ingots.
	3960	684				57,950 tons billets	
	6494	193				11,522 tons galvanized weld pipe and tubing	
	6492	673				31,200 tons wire	
Madison, Ill	6495	434				6,980 tons bar mill products and structural shapes.	
Latrobe Electric Steel Co., Latrobe, Pa	1219	4,149			15,000	(Tool steel only)	
E. J. Lavino & Co.:							
Newark, Calif	3227	1,991					7,000,000 chrome bricks.
Plymouth Meeting, Pa	4800	1,271					8,000,000 chrome bricks.
R. G. LeTourneau, Longview, Tex	5006	4,550			250,000	Increased production of steel plate	

Necessity certificates for pig iron, steel ingot, and steel finishing facilities issued through Dec. 31, 1951, by company and by facility location—Con.

Company and facility locations	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
			Pig iron	Steel ingots			
				Open hearth	Electric		
		Thous. dols.					
Lone Star Steel Co., Lone Star, Tex	38	73,428		500,000		350,000 tons steel and line pipe, casing and tubing.	
Lukens Steel Co., Coatesville, Pa	1170	142					Machining of steel castings.
	2203	599				6,000 pieces plate shapes	
	2335	3,276				Increased production armor plate	
	8273	4,453				11,640 tons steel plates	
McLouth Steel Corp., Trenton, Mich	329	2,294			139,860	Production of strip steel (hot-rolled)	
	588	24,056			309,600	Production of semifinished steel products	
	1401	96,629	468,000	564,000		Production of finished steel products	Coke.
National Steel Corp., Weirton, W. Va	382	2,868		216,000			
	381	4,210					Coke.
	726	443					99,360 net tons per year coke.
	725	1,352	54,000				
	1222	3,319	144,000				
	898	1,172					Maintain production of pig iron.
	1490	36					Maintain production of steel products.
	1644	650					Do.
	1750	415					Maintain production of steel ingots.
	1936	15,700	277,400				
	2284	58					Maintain production of pig iron.
	724	982					Reclaim tin, preparation of tinplate scrap.
	1492	2,111				398,000 tons rolled bands, hot and cold rolled	
	1491	150				180,000 tons strip and sheets, hot and cold roll	
	2285	91					Maintain production of steel products.
National Supply Co., Ambridge, Pa	5487	48					Maintain production of seamless steel pipe.
National Tube Co.:							
Gary, Ind	3028	1,923				36,000 tons stainless, alloy, and carbon steel tubing.	
Lorain, Ohio	3026	4,348					Maintain production of piping, casing, and tubing.
McKeesport, Pa	3027	12,321				180,000 tons electric-weld pipe lining	
Morrisville, Pa	700	46,631				352,000 tons skelp; 380,000 tons buttweld pipe	

New England Steel Development Corp., Waterford, Conn.	907	220,000	500,000	1,000,000		Finished steel products	
Newport Steel Corp.:							
Wilder, Ky	4646	1,211			194,400		
	3805	551					Maintain production of pig iron and ingots.
	4645	193					Maintain production of ingots.
	12135	286					Maintain production of pigs and ingots.
	4644	753				Electric-weld line pipe	
	8268	22,460			213,600	30,000 tons cold-rolled coils, sheets, and strip.	
Martins Ferry, Ohio	4643	333	144,000				
Northwest Steel Rolling Mills, Inc., Seattle, Wash.	3759	320				7,600 tons bars	
Northwestern Steel & Wire Co., Sterling, Ill.	11	4,505				200,000 tons bars and small shapes	
	12	8,502			504,000	Billets, slabs, and tube rounds	
Oregon Steel Mills, Portland, Oreg	1104	246			24,600	Production of hot-rolled carbon-steel bars and light structural shapes.	
Pacific States Steel Corp., Niles, Calif	5417	717		80,000			
Phoenix Iron & Steel Co., Phoenixville, Pa.	1025	2,477		275,000		259,000 tons structural shapes	
Phoenix Manufacturing Co., Catasauqua, Pa.	1297	229				2,400 tons steel forgings	
Pittsburgh Coke & Chemical Co., Neville Island, Pa.	1496	9,150	300,000				
Pittsburgh Steel Co.:							
Gibsonton, Pa	631	38,097				Steel plate; hot and cold rolled sheets and strip.	
Monessen, Pa	629	8,757		488,000			
	628	2,120	102,000				
	6,620	222					Maintain production, open hearth steel ingots.
	6,627	7					Maintain production, pig iron and ingots.
	630	7,254				810,000 blooms and slabs	
	6619	313				Spring and heat treated wire	
Republic Steel Corp.:							
Alabama City, Ala	279	1,750		72,000			
	2719	285					Additional soaking pit capacity.
Birmingham, Ala	276	6,000					Coke increased annual production.
South Chicago, Ill	280	705		37,000			
	2374	253			37,500		
	1500	21,500				180,000 tons seamless steel tubing	
Buffalo, N. Y	1036	386		40,000			
Canton, Ohio	1037	392					Maintain production of steel.
Cleveland, Ohio	82	77,950	504,000	600,000		Strip and sheet steel (hot-rolled and cold-rolled.	
	278	500	28,000				
	281	7,000					Coke 331,000 net tons per year.
	2995	8,838	50,000	180,000		Strip steel	
	2718	180		12,000			

Necessity certificates for pig iron, steel ingot, and steel finishing facilities issued through Dec. 31, 1951, by company and by facility location—Con.

Company and facility locations	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
			Pig iron	Steel ingots			
				Open hearth	Electric		
Republic Steel Corp.—Continued		*Thous. dols.*					
Cleveland, Ohio	2375	105					Increased bright annealing capacity.
	2376	100				15,000 tons bars	
Massillon, Ohio	1035	255				Permit volume production of small size alloy-steel wire.	Provide annealing capacity.
Warren, Ohio	4471	132	8,000				
Youngstown, Ohio	3273	125		15,000			
John A. Roebling's Sons Co., Roebling, N. J.	2557	335				6,000 tons wire (high carbon and flat and shaped.	
	2975	300				17,500 tons steel wire	
	2976	231				10,800 tons steel wire	
	2977	235				1,800 tons steel wire	
	2978	579				11,250 tons steel wire	
	7597	400				16,000 tons wire rods	
Rotary Electric Steel Co., Warren Township, Mich.	972	450			54,000		
	953	1,605				13,000 tons steel bars	
	1324	886				17,500 tons steel billets	
Sharon Steel Corp.							
Dearborn, Mich	1670	397				11,148 tons cold-rolled strip steel	
Lowellville, Ohio	1710	727					Maintain production of ingots.
Farrell, Pa	909	501					Maintain production of pig iron.
	1709	7,731		150,000		Hot-rolled strip	
	911	191					Maintain production of ingots.
	8456	6,000	204,000				
	8458	3,700				60,000 tons strip steel	
	910	533					Increase pickling capacity by 120,000 tons per year.
Shenango Furnace Co., Sharpsville, Pa	9216	360	18,700				
	12255	354					Maintain production of pig iron.
Simonds Saw and Steel Co.:							
Fitchburg, Mass	2307	1,200				Tool steels	
Lockport, N. Y	3168	1,862				2,500 tons tool steel sheets; 1,100 tons cold-rolled tool steels.	

Southwest Steel Rolling Mills, Los Angeles, Calif.	3388	1, 200			45, 000	40,000 tons bars and shapes	
Stanley Works:							
Bridgeport, Conn	1881	583				30,000 tons hot-rolled strip steel	
New Britain, Conn	1082	906				42,000 tons cold-rolled sheets	
Tennessee Coal, Iron & Railroad Co., Birmingham, Ala.	787	41, 525	402, 800	500, 000			
Tennessee Products & Chemical Corp.:							
Chattanooga, Tenn	8666	959					15,840 tons per year of 50 percent ferro-silicon.
Rockwood, Tenn	14	806	90, 000				
Tennessee Steel Corp., Oneida, Tenn	1707	9, 580			136, 000	Rails and bars	
Timken Roller Bearing Co., Canton, Ohio.	1528	3, 497			277, 000		
	3280	1, 450				15,000 tons alloy steel seamless mechanical tubing.	
	5826	301				Alloy and stainless steel bars, billets, tubes (increased production).	
	5827	857				Alloy and stainless steel bars, billets, and tubes (increased finishing facilities).	
United Follansbee Steel Corp., Follansbee, W. Va.	3385	35, 155			648, 000	528,768 tons hot-rolled strip steel	
U. S. Steel Co.:							
South Works, Chicago, Ill	3023	21, 029	32, 000	150, 000		Slabs, plates and structural shapes	
	[1] 14317	887	128, 600				
Gary, Ind	3022	38, 292	54, 500	396, 900		Slabs	Coke.
	14315	1, 731	34, 000				
	14774	470	87, 200				
	3024	10, 637				200,000 tons cold rolled sheets; 8,400 tons stainless steel sheets.	
Youngstown, Ohio	3021	10, 087	112, 100	140, 000			
	14775	210	32, 000				
Braddock, Pa	3017	6, 687	44, 000	311, 700			Increase sintering capacity by 416,100 tons per year.
Clairton, Pa	3015	1, 858		65, 000			8,000 net tons per year ferro-manganese.
Dravosburg, Pa	3020	3, 328				98,400 tons cold reduced finished annealed sheets (increased finishing capacity).	
Duquesne, Pa	3016	6, 507	55, 000	100, 000			55,000 tons per year increase in sintering capacity.
Morrisville, Pa	789	351, 414	1, 134, 000	1, 800, 000		Slabs, blooms, billets, bars, strips, sheet and tin plate.	Coke.
Munhall, Pa	3018	10, 616		587, 000		375,640 tons slabs	
Rankin, Pa	14776	191	43, 000				
Vandergrift, Pa	3019	514					Maintain production of open hearth ingots.
Universal Cyclops Steel Corp.:							
Bridgeville, Pa	870	2, 336			16, 040	Sheets, strips, bars	
	4037	1, 466				4,000 tons sheets, bars, wire (hot-finished); bars, wire, strip (cold-finished).	
Titusville, Pa	869	629					
	4036	279				Specialty and tool steels	

[1] Revised.

Necessity certificates for pig iron, steel ingot, and steel finishing facilities issued through Dec. 31, 1951, by company and by facility location—Con.

Company and facility locations	TA number	Estimated cost of facilities applied for	Estimated additional capacity in net tons			Increased annual capacity of finished and semifinished products as shown in application	Other facilities in company's application
			Pig iron	Steel ingots			
				Open hearth	Electric		
		Thous. dols.					
Vanadium-Alloys Steel Co., Latrobe, Pa.	8622	85				72,000 tons prealloyed steel powders	
Wallingford Steel Co., Wallingford, Conn.	1098	115					Increased annealing capacity.
	1796	101					Do.
	1978	1,015				Carbon and stainless-steel strip	
	1979	478				Cold-rolled and stainless-steel tubing	
Washburn Wire Co.:							
New York, N. Y.	4418	540				12,000 tons flat and round steel rods	
Phillipsdale, R. I.	492	638		35,000			
West Virginia Steel & Manufacturing Corp., Huntington, W. Va.	71	3,014			87,000		
Western Tube Corp., Los Angeles, Calif.	9660	11,928			100,000	Seamless tube and pipe	
Wheeling Steel Corp.:							
Yorkville, Ohio	7252	530				75,000 tons black plate	
Follansbee, W. Va.	406	8,750					
Woodward Iron Co., Woodward, Ala.	181	4,500	265,720				Coke.
	2010	780					Maintain production of pig iron.
Youngstown Sheet & Tube Co.:							
Indiana Harbor, Ind.	21	20,135		588,800			
	22	31,560	584,000	32,400			
	23	34,400		588,800			
	1164	1,164					Maintain production of ingots.
	2525	975					Do.
	1165	7,800				270,000 tons butt-weld pipe	
	9248	42,537				480,000 tons cold-rolled sheets	
Youngstown, Ohio	1167	839				24,000 tons cold-drawn products	
	1168	1,644					Saving coal facilities.
	1169	4,489				Pipe, merchant and wire mill products	
	3064	780				2,500 tons steel sheets	

Source: Defense Production Administration, Office of Resources Expansion, Apr. 1, 1952.

EXHIBIT 18

Copper—Certificates of necessity issued through Mar. 1, 1952, Standard Industrial Classification Code 1021 (copper ores)

Size of company	Number certificates issued	Facilities amount requested	Estimated net additional annual capacity in net tons	Year
1 small (TA 1517—C. L. Maguire)	1	$220,665	135	1953
4 large companies	7	106,526,439		
Kennecott Copper Corp			5,000	1953
			15,000	1954
			17,500	1955
Phelps Dodge			17,000	1955
			38,000	1956
Anaconda Copper Mining Co			7,500	1953
			30,000	1954
Copper Range Co			37,500	1955
Total	8	106,747,104	167,500	

Source: Defense Production Administration, Office of Resources Expansion, Apr. 1, 1952.

EXHIBIT 19

Certificates of essentiality for sec. 302 direct loans (Defense Production Act of 1950) certified by DPA as of Mar. 7, 1952, classified by size of company

Size of company	Number of companies	Percent of total	Number of certificates issued	Percent of total	Amount of loan certified by DPA (dollars)	Percent of total	Estimated net additional annual capacity in tons per year				
							Steel castings	Steel forgings	Special alloy steel	Tubular steel pipe	Reclamation of steel scrap
Iron and steel products:											
Total	8	100.0	8	100.0	$39,159,115	100.0	33,120	180,000	189,000	350,000	1,068,000
Small	5	62.5	5	62.5	2,733,914	7.0	[1] 33,120	[2] 180,000			240,000
Large	3	37.5	3	37.5	[3] 36,425,201	93.0			189,000	[4] 350,000	828,000
Copper: Large [5]	1	100.0	1	100.0	60,676,638						
Aluminum: None.											

[1] Includes 18,000 tons per year of armor steel castings.
[2] Increase for 1 company was $120,000 per month ($1,440,000 per year) and cannot be shown in tons per year.
[3] RFC participated to extent of $53,556,126 in 2 of these 3 large companies.
[4] Application for additional loan of $50,650,000 pending.
[5] Copper ore, 37,500 tons.

Source: Defens roduction Administration, Office of Resources Expansion, Apr. 1, 1952.

EXHIBIT 20

Loans certified by DPA to RFC under sec. 302 of the Defense Production Act of 1950, as amended

Name	Amount	Product
Copper Range Co., Boston, Mass	$60,676,638	Copper mine.
Laboratory for Electronics, Inc., Boston, Mass	1,500,000	Radar components.
Owen Manufacturing, Inc., Litchfield, Ill	53,470	Small precision parts for ordnance and aircraft.
Sargent Engineering Corp., Huntington Park, Calif	1,000,000	Hydraulic controls for aircraft.
Doeleam Corp., Newton, Mass	997,000	Technical instruments.
Standard-Thomson Corp., Dayton, Ohio	2,522,000	Aircraft components.
Capitol Foundry Co., Phoenix, Ariz	1,452,000	Iron grinding balls
Northern Consolidated Airlines, Inc., Anchorage, Alaska	705,550	Air freight and air passenger.
Wm. R. Whittaker Co. Ltd., Los Angeles, Calif	1,428,320	Aircraft valves.
South Water Corp., Rockford, Ill	3,000,000	Machine tool components.
Southland Oil Corp., Savannah, Ga	35,000	Storage and shipping of petroleum products.
Lunn Laminates, Inc., Glen Cove, N. Y	160,000	Prosthetic devices.
E & J Heat Treating & Sandblasting Co., Los Angeles, Calif	90,000	Extrusion parts for aircraft.
Aircraft Tapered Sheets, Inc., Los Angeles, Calif	704,659	Spars, skins and parts for aircraft.
Standard Steel Corp., Los Angeles, Calif	27,025	Steel fabricators.
James L. Entwistle Co., Pawtucket, R. I	920,000	Wire machinery and allied products.
Ben Pearson, Inc., Pine Bluff, Ark	670,000	Cotton pickers.
Mar Vista Engineering Co., Los Angeles, Calif	417,400	Aircraft parts.
Hardman Tool & Engineering Co., Los Angeles, Calif	57,600	Aircraft appliances.
Westbrook Welding Co., Inc., Westbrook, Conn	54,168	Precision welding for radar.
Teleflex, Inc., Philadelphia, Pa	300,000	Mechanical controls.
Robb Mfg. Co., Pittsburgh, Pa	86,970	Special couplings for Navy.
The Cornelius Co., Minneapolis, Minn	408,000	Pneumatic equipment.
Wire Corp., Worcester, Mass	185,000	Steel wire.
Westoil Richmond Terminals Co., Richmond, Calif	449,526	Petroleum storage.
Industrial Heat Treating & Metallurgical Co., Inc., Indianapolis, Ind.	275,000	Heat treating metals.
American Helicopter Co., Inc., Manhattan Beach, Calif	195,000	Helicopters.
N. R. K. Manufacturing & Engineering Co., Chicago, Ill	450,000	Mechanical radar components.
Blue Ridge Transportation Co., Inc., Knoxville, Tenn	74,330	Carrier of liquid petroleum.
Idaho Beryllium & Mica Corp., Caldwell, Idaho	125,000	Strategic grade mica and beryl.
The J. C. Carter Co., Pasadena, Calif	500,000	Water, fuel, and aircraft pumps.
Tubular Micrometer Co., St. James, Minn	112,000	Precision hand tools and micrometers.
Cruver Manufacturing Co., Chicago, Ill	750,000	Molded plastic products.
Secon Metals Corp., New York, N. Y	325,000	Filament and grid wire.
Dayton Precision Manufacturing Co., Dayton, Ohio	65,700	Electric motor commutators.
South Gate Aluminum & Magnesium Co., South Gate, Calif	110,000	Aluminum and magnesium castings.
Schweizer Aircraft Corp., Elmira, N. Y	75,000	Air Force training gliders.
McLean Manufacturing Co., Inc., Geneva, N. Y	338,000	Aircraft components.
Thiokol Corp., Trenton, N. J	400,000	Liquid pdymers.
The Brush Beryllium Co., Cleveland, Ohio	730,000	Beryllium copper.
Specialties, Inc., Syosset, Long Island, N. Y	3,549,730	Electronic and other research and development.
Hoffman Radio Corp., Los Angeles, Calif	3,155,000	Radar equipment.
Coleman Engineering Co., Culver City, Calif	60,000	Research and development guided missiles.
Drayer-Hanson, Inc., Los Angeles, Calif	580,000	Aircraft parts.
Bonner Machine Works, Inc., El Segundo, Calif	75,425	Hydraulic valves and cylinders for aircraft.
N. Ransohoff, Inc., Cincinnati, Ohio	411,027	Equipment to treat and clean metals.
Industrial Iron Reclaiming Co., Inc., Birmingham, Ala	190,000	Scrap steel and refuse waste.
Ajay Screw Machine Products, Anderson, Ind	150,000	Small precision parts.
Slagle Beryllium Co., Havertown, Pa	55,000	Rerollers of beryllium copper.
Chatham Electronics Corp., Newark, N. J	988,400	Electronic tubes and equipment.
R. P. Bennett Co., Inc., Frederick, Md	132,356	Electronic relays, switches, coils, and clutches.
Worth Manufacturing Co., Los Angeles, Calif	150,000	Aircraft and missile parts.
Tennessee Central Railway Co., Nashville, Tenn	2,249,857	Coal transportation to TVA steam generating plant serving atomic project at Oak Ridge.
Clifton Precision Products Co., Clifton Heights, Pa	400,000	Electrical components for aircraft.
Heckett Engineering, Butler, Pa	8,000,000	Scrap iron recovery from slag.
Border Truck Lines, El Paso, Tex	22,059	Freight service.
McLean Development Lab., Inc., Dallas, Tex	60,000	Research and development.
Weba, Inc., Queens Village, N. Y	150,000	Aircraft parts and assemblies.
Andrews-Alderfer Processing Co., Inc., Akron, Ohio	250,000	Valves for life vests.
American Bus Lines, Inc., Chicago, Ill	2,025,000	Bus transportation.

Loans certified by DPA to RFC under sec. 302 of the Defense Production Act of 1950, as amended—Continued

Name	Amount	Product
Roller Bearing Co. of America Trenton, N. J	$1,350,000	Bearings for aircraft.
Cascade Finishing Co., Inc., New York, N. Y	43,000	Surgical gauze.
Marman Products Co., Inc., Inglewood, Calif	1,250,000	Couplings and fasteners.
Piasecki Helicopter Corp., Morton, Pa	4,800,000	Helicopters.
Menasco Manufacturing Co., Burbank, Calif	350,000	Manufacturer of hydraulic landing gears for aircraft.
Pacific Marine Terminal Co., San Francisco, Calif	1,435,000	Operation of a marine petroleum distribution and storage terminal.
Southland Oil Corp., Savannah, Ga	300,000	Storage of petroleum products for the armed services.
Calary, J. W. and Louise M., Bainbridge Bus Co., Port Deposit, Md.	68,400	Passenger transportation.
Riveo, Inc., Downey, Calif	115,000	Aluminum rivets and steel screws.
L. P. Steuart & Bro., Inc., Washington, D. C	810,000	Sale and service fuel oil, coal and oil burners.
The S. K. Wellman Co., Cleveland, Ohio	3,800,000	Bimetallic friction disks.
Tyson Bearing Corp., Massillon, Ohio	1,275,000	Tapered roller bearings.
Berea Rubber Co., Cleveland, Ohio	575,000	Rubber requirements for aircraft.
Stover Lock Nut & Machinery Corp., Easton, Pa	349,000	Safety nut, tank track pins.
C. G. S. Laboratories, Inc., Stamford, Conn	35,128	Electronics instrument.
Schwien Engineering Co., Los Angeles, Calif	398,500	Gyroscopic flight instruments.
Electronic Associates, Inc., Long Branch, N. J	150,000	Electronic devices for Signal Corps.
G. Philip Stout, d. b. a. Industrial Research Laboratories, Baltimore, Md.	75,000	Electromechanical, electronic radio, radar and servo systems.
Ledoux & Co., Inc., New York, N. Y	250,000	Analytical and metallurgical services.
Appalachian Mining & Smelting Co., Embreeville, Tenn	400,000	
Riverside Foundry, Inc., Bettendorf, Iowa	615,000	Gray iron foundry and armor steel castings.
Canoga Corp., Van Nuys, Calif	12,755	Electronic equipment.
Hammel-Dahl Co., Providence, R. I	700,000	Automatic valves.
Airborne Instruments Lab., Inc., Mineola, N. Y	847,865	Electronic devices.
Frohman Manufacturing Co., Inc., Miami, Fla	175,000	High precision gears.
Thiokol Corp., Trenton, N. J	500,000	Liquid polymers.
Bill Jack Scientific Instrument Co., Solana Beach, Calif	2,000,000	Research and development of aircraft instruments.
Kolinski Concrete Co., Milwaukee, Wis	1,438,500	Ready-mix concrete.
Varian Associates, San Carlos, Calif	1,520,000	Research-development in microwave tubes.
Lear, Inc., Grand Rapids, Mich	863,000	Electromechanical equipment for aircraft.
Stanford Research Institute, Stanford, Calif	300,000	Research in engineering, biology, chemistry, etc.
Kellex Corp., New York, N. Y	388,000	Engineering, research, and design.
Lucerne Coke Co., Indiana, Pa	2,200,000	High-grade beehive oven coke.
Cell-Form Co., Paramount, Calif	123,750	Fuel cell-forms.
Standard Cable Corp., Chickasha, Okla	775,000	Field wire.
Boston Electro Steel Casting, Inc., Boston, Mass	260,295	Steel castings.
Lone Star Steel Co., Dallas, Tex	23,425,201	Steel tubing and pipe.
Algonac Manufacturing Co., Algonac, Mich	100,000	Vehicle closers.
Fontaine Truck Equipment Co., Inc., Birmingham, Ala	180,000	Fifth wheels.
Lawrence J. Keddy, Middleton, Mass	300,000	3.5 rocket components.
Marine Aircraft Corp., Fort Worth, Tex	200,000	Wing tanks.
Champion Canvas Supplies, Inc., St. Louis, Mo	52,000	Canvas bags, etc.
Thompson Trailer Corp., Baltimore, Md	555,000	Radar shelters.
Green River Steel Corp., Owensboro, Ky	5,000,000	Electric furnace steel.
Spencer Wire Corp., Hillside, N. J	1,700,000	Field wire.
C. L. Bryant Corp., Cleveland, Ohio	475,000	Field stoves.
Truck Body & Equipment, Inc., St. Louis, Mo	25,000	Reconditioning and repair Army trucks.
W. L. Maxson Corp., New York, N. Y	1,569,635	Machine gun turrets and electrical devices.
Pacific Electric Contractors, Inc., Ankorage, Alaska	293,000	Construction contractors (radar).
U. S. Wire & Cable Corp., Newark, N. J	275,000	Field wire.
Merit Sportswear Co., Boston, Mass	15,000	Jackets.
Mifflin Mining Co., Inc., Mifflin, Wis	80,000	Mine zinc.
Resolin, Inc., Los Angeles, Calif	95,000	Plastic filler.
Eugene K. Grey & John H. Stephens d. b. a. Aircraft Products Co., Clifton Heights, Pa.	175,000	Precision aircraft airborne accessories.

Source: Defense Production Administration, Office of Resources Expansion, March 24, 1952.

EXHIBIT 21

SUMMARY OF PROCUREMENT PROGRAMS FOR ALUMINUM, ALUMINUM SHEET AND COPPER CERTIFIED UNDER SECTION 303 OF THE DEFENSE PRODUCTION ACT OF 1950 AS AMENDED, AS OF MARCH 7, 1952

ALUMINUM

Eight programs have been certified to DMPA for increasing the production of aluminum by 2,140,016 tons. The borrowing authority allocated to DMPA for these programs totals $53,262,000, representing working capital of $23,200,000, and probably ultimate net cost to the Government of $30,062,000.

ALUMINUM SHEET

One program has been certified to DMPA for aluminum sheet of 5,600 tons. The borrowing authority allocated to DMPA for this program is $5,040,000, all of which represents working capital.

COPPER

Six domestic and two foreign programs have been certified to DMPA for increasing the production of copper by 1,482,964 tons. The borrowing authority allocated to DMPA for these programs amounts to $62,733,000, representing working capital of $7,841,000 and probable ultimate net cost to the Government of $54,892,000.

Source: Defense Production Administration, Office of Resources Expansion, April 1, 1952.

EXHIBIT 22

DEFENSE PRODUCTION ADMINISTRATION

DPA–267

For Immediate Release
Monday, March 10, 1952

Nitrogen Expansion
Certificates of Necessity

Certificates of necessity for accelerated tax amortization, involving the additional production of 425,000 short tons of contained nitrogen, at an estimated cost of 114,534,646 have been issued to 10 facilities, the Defense Production Administration announced today.

Approval of the certificates is in line with DPA's domestic nitrogen production goal of 2,930,000 short tons annually in 1955.

Of the 1955 capacity needed, 2,430,000 tons is already built or authorized, DPA said. Domestic production on Jan. 1, 1950 was 1,540,000 tons annually. About 160,000 tons additional production will be provided by the Morgantown, W. Va. Ordnance Plant, scheduled to be reactivated; about 60,000 tons of capacity already has been achieved by the unassisted expansion in the domestic supply and an additional 670,000 tons annual capacity is involved in government-assisted projects now under way.

In explaining the need for expansion of nitrogen production, DPA said that in peacetime about 75 percent of the consumption is in the form of nitrogen compounds used as fertilizer. Other large peacetime uses are industrial explosives; production of synthetic fibers including rayon and nylon; production of synthetic resins and lacquers; metal treating, including nitriding, cleaning and refining; the refrigeration industry, which uses nitrogen as ammonia; the pulp and paper industry and the production of inorganic and organic chemicals such as dyes and medicinals.

In the event of a major war, military nitrogen requirements—chiefly for explosives and propellant fuels—would be very large, DPA said. Even with the presently-authorized expansion, there would have to be some curtailment of civilian uses.

The accelerated tax write-off program is provided in the Revenue Act of 1950. Prior to passage of this Act, the period permitted for depreciation of new facilities by the Bureau of Internal Revenue varied up to 25 years, depending on the normal life usefulness of the facility. Under the statute, this period may be shortened to five years for such portion of the new investment as DPA may determine.

The percentage authorized for actual amortization depends with other factors on the type of facility, amount of expansion required for the emergency, the prob-

able usefulness of the plant for other than defense purposes after the emergency, and the degree of financial aid deemed necessary to encourage the expansion.

Following is a list of 10 certificates of necessity issued:

Name of applicant	Location of facility	Amount applied for	Amount certified	Percentage	Additional production capacity (short tons)
Cooperative Farm Chemicals Association.	Lawrence, Kans.	$13,818,000	(1)	45	51,800
Allied Chemical & Dye Corp. (Solvay Process Division).	Midwest [2]	24,600,000	(1)	45	61,700
Deere & Co.	Missouri [2]	18,500,000	(1)	45	57,600
Mathieson Chemical Corp.	Lake Charles, La.	411,000	$411,000	45	5,500
San Jacinto Chemical Corp.	Houston, Tex.	900,000	900,000	45	11,500
Sid Richardson.	Pointe ala Hache, La.	19,000,000	(1)	45	86,400
Pacific Chemical Co., Inc.	Pasco, Wash.	5,735,000	(1)	45	18,100
W. R. Grace & Co.	Illinois [2]	15,466,000	(1)	45	72,000
National Chemical Corp.	Yazoo City, Miss.	7,212,446	(1)	45	34,500
Delta Chemical Corp.	Buras, La.	8,892,000	(1)	45	25,900
Total					425,000

[1] Amount certified will be determined by DPA at a future date.
[2] Exact location site as yet undetermined by the applicant.

EXHIBIT 23

DEFENSE PRODUCTION ADMINISTRATION

DPA-271
Expansion Goal for Copper

For Immediate Release
Wednesday, March 12, 1952

An expansion goal for copper—ore, imports and old scrap—to provide 2,270,000 short tons of refined copper beginning in 1955, was announced today by Ralph S. Trigg, Deputy Administrator of the Defense Production Administration for Program and Requirements.

The achievement of this goal will provide an additional 239,000 short tons of refined copper over the 1950 supply of 2,031,000 short tons. Establishment of the goal permits the DPA Office of Resources Expansion and the Defense Materials Procurement Agency to provide Government assistance to obtain the required production.

In 1950, Mr. Trigg said, the United States consumed 2,163,000 short tons of copper. By 1955 demand is expected to increase to 2,270,000 tons, including military, atomic energy and civilian uses, exports and stockpile requirements.

Domestic production from present sources amounted to 921,000 tons in 1950. This production is expected to increase to approximately 1,000,000 tons in 1952 but, due to the depletion of some mines, it is expected to decline to 920,000 by 1955.

The U. S. supply of copper available in 1950 was augmented by 474,000 tons of old scrap and 636,000 tons of imports for a total supply of 2,031,000 tons. By 1955 the availability of scrap is expected to decline to 450,000 tons, but this will be partly offset by an increase in imports which are expected to total 650,000 tons. The total amount of copper expected to be available in 1955 will amount to about 2,020,000 tons from the above sources, plus an additional 250,000 tons from production resulting from the Government aid program under the expansion goal.

Achievement of the expansion goal by 1955 will result in a substantial balance of supplies of copper to meet the anticipated requirements, Mr. Trigg said.

EXHIBIT 24

DPA Reg. 1
As amended
Feb. 14, 1952
(Effective Mar. 1, 1952)

DEFENSE PRODUCTION ADMINISTRATION

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER V—DEFENSE PRODUCTION ADMINISTRATION

[DPA Regulation No. 1, as amended February 14, 1952]

REG. 1—ISSUANCE OF NECESSITY CERTIFICATES UNDER SECTION 124A OF THE INTERNAL REVENUE CODE

The following regulations are hereby prescribed by the Defense Production Administrator with the approval of the President pursuant to the authority contained in Executive Order 10200, dated January 2, 1951, and section 124A of the Internal Revenue Code.

Sec.
1. Definitions.
2. Criteria for determination of necessity.
3. Criteria for determination of portion of the adjusted basis attributable to defense purposes for computing the amortization deduction.
4. Procedures and responsibilities.
5. Exercise of powers of Certifying Authority.

AUTHORITY: Sections 1 to 5 issued under sec. 216, 64 Stat. 939; 26 U. S. C. Sup. 124A, E. O. 10200, Jan. 3, 1951, 16 F. R. 61.

SECTION 1. *Definitions.* As used throughout this regulation:

(a) "Emergency facility" means any facility, land, building, machinery or equipment, or any part thereof, the construction, reconstruction, erection, installation, or acquisition of which was completed after December 31, 1949, and with respect to which a Necessity Certificate has been made.

(b) "Emergency period" means the period beginning January 1, 1950, and ending on the date on which the President proclaims that the utilization of a substantial portion of the emergency facilities with respect to which Necessity Certificates have been made is no longer required in the interest of national defense.

(c) "Certifying Authority" means the Defense Production Administrator.

(d) "Necessity Certificate" means a certificate made by the Certifying Authority pursuant to section 124A (c) of the Internal Revenue Code, certifying that the construction, reconstruction, erection, installation, or acquisition of the facilities referred to in the certificate is necesssary in whole or in part in the interest of national defense during the emergency period, and stating the portion of the adjusted basis thereof which has been determined to be attributable to defense purposes within the meaning of such section 124A (c) for computing the amortization deduction under section 124A (a).

(e) "Material" means raw materials, articles, commodities, products, supplies, components, technical information, and processes.

SEC. 2. *Criteria for determination of necessity.* Determination will be made by the Certifying Authority as to whether the construction, reconstruction, erection, installation, or acquisition of the facility (in whole or in part) is necessary in the interest of national defense during the emergency period.

(a) *Material or service required for national defense.* In making the determination of necessity, a determination will be made that the material or service to be produced with the proposed facility is required in whole or in part in the interest of national defense during the emergency period. A material or service will not be found to be so required unless it is directly required for the Armed Services of the United States or auxiliary personnel, for civil defense, for the Atomic Energy Commission, or for any operations or activities in connection with the Mutual Defense Assistance Act; or unless it is necessary for the production of a material or service directly required in the interest of national defense during the emergency period; or unless it is otherwise necessary in the interest of national defense.

(b) *Shortage of facilities for the production of material or service required for national defense.* In making the determination of necessity, a determination will be made that at the time of the beginning of construction, reconstruction, erection, installation, or acquisition of the facility, there was or is an existing or prospective

over-all shortage of facilities for the production of the material or service produced or to be produced by the facility sought to be certified. Consideration will be given to the necessity for and adequacy of facilities for the production of a material or service in a particular region, the necessity for standby capacity, and any other factors contributing to or threatening a shortage of facilities for producing such material or service. A shortage will be found to exist only with respect to facilities required to meet expansion goals determined by the Defense Production Administration.

(c) *Other considerations.* In making the determination of necessity, consideration will also be given to other factors such as: new or improved technology; assurance of a fair opportunity for participation by small business; the promotion of competitive enterprise; the competence, performance record, and other factors bearing upon the ability of the applicant to construct or acquire, and manage the proposed facility; location of the facility with due regard to military security and dispersion criteria and standards; the degree to which the facility will alleviate the shortage of production; other forms of financial assistance provided by the Government; the availability of manpower, housing, community facilities, transportation, and other factors of production. An existing or prospective shortage of facilities for the production of a material or service necessary in the interest of national defense will not be considered alleviated by:

(1) The acquisition of the productive assets of a going concern or second-hand facilities unless:

(i) Clear prospect of a substantial increase in the usefulness of such facilities for national defense exists and such increase cannot be obtained by other practical means; or

(ii) Substantial loss of usefulness for national defense would probably result in the absence of such acquisition.

(2) The construction, reconstruction, erection, installation, or acquisition of that part of a facility which is or will be used in lieu of existing facilities, except to the extent considered extraordinary and necessitated by reason of the emergency.

SEC. 3. *Criteria for determination of portion of the adjusted basis attributable to defense purposes for computing the amortization deduction.* Determination will be made by the Certifying Authority as to the portion of the adjusted basis upon which the amortization deduction under section 124A (a) shall be computed.

(a) In determining the portion to be certified, the Certifying Authority will consider the probable economic usefulness of the facility after five years and the additional incentives to the minimum amount deemed necessary to secure the expansion of industrial capacity in the interest of national defense during the emergency period. For this purpose, consideration will be given to such factors as the character of the business, including the source, amount, and nature of the materials required for the expansion and the material or service to be produced, the manufacturing or servicing processes involved, normal depreciation rates, expansion in competitive fields; the extent of risk assumed, including the amount and source of capital employed, the potentiality of recovering capital or retiring debt through tax savings or pricing, the relative expansion needed, the economic consequences of the location of the facility due to security or other emergency factors, increased costs due to expedited construction or emergency conditions, and the historical background of the industry; the extent to which the facility is being or will be used in lieu of existing facilities; assistance to small business and the promotion of competitive enterprise; compliance with Government policies, e. g., manpower and dispersion; and other relevant factors. Land will not ordinarily be certified. The percentage certified shall be closely related to the provision of other financial incentives provided by the Government to encourage the construction of facilities, such as direct Government loans, guaranties, and contractual arrangements, so that these incentives separately or in combination will secure the needed expansion at minimum cost to the Treasury. Where percentage certification patterns for individual industries are established, adjustments upward or downward may be made for special factors.

SEC. 4. *Procedures and responsibilities*—(a) *Application form.* Formal application shall conform to the standard form prescribed by the Certifying Authority, and shall be executed in the manner and by the person prescribed by the form. The standard form and application for a Necessity Certificate may be obtained from the Defense Production Administration, Washington 25, D. C., or from Department of Commerce field offices.

(b) *Classified information.* If the application or its filing would involve the disclosure of information which has a security classification, the applicant shall,

prior to the filing of his application, request instruction from the Government agency with which he has classified contract relations.

(c) *Filing of application.* All applications for Necessity Certificates shall be filed with the Defense Production Administration in Washington, D. C., and shall be deemed to be filed when received by that agency.

(d) *Time of filing applications, and cases in which determination of necessity must be made before beginning of construction.* (1) Application for Necessity Certificates for facilities the construction, reconstruction, erection, or installation of which was begun or which were acquired prior to March 1, 1952, or for facilities acquired on or subsequent to March 1, 1952, must be filed before the expiration of (6) months after the beginning of such construction, reconstruction, erection, or installation, or the date of such acquisition.

(2) Applications for Necessity Certificates for any building, structure, or other real property, or for the installation of facilities which will become an integral and permanent part of any building, structure, or other real property the construction, reconstruction, erection, or installation of which is begun on or after March 1, 1952, must be filed prior to the beginning of such construction, reconstruction, erection, or installation.

(3) (i) Facilities at any one location involving the construction, reconstruction, or erection of any building, structure, or other real property, or the installation of facilities which will become an integral and permanent part of any building, structure, or other real property, and which are estimated by the applicant to cost $100,000 or more, excluding the cost of land, the construction, reconstruction, erection, or installation of which is begun on or after March 1, 1952, will not be eligible for certification within the meaning of these regulations unless a determination of necessity is made by the Certifying Authority as evidenced by the issuance of a Necessity Certificate or a Letter of Predetermination prior to the beginning of such construction, reconstruction, erection, or installation.

(ii) The term "Letter of Predetermination" shall mean a written communication to the applicant from the Certifying Authority stating that there is a shortage of the facilities for which certification is requested, that the material or service to be produced thereby is necessary in the interest of national defense, and that thereafter the beginning of construction, reconstruction, erection, or installation of the facilities for which certification is requested will not in itself prejudice the applicant's eligibility for a Necessity Certificate.

(4) For purposes of filing within the meaning of subparagraphs (1) and (2) of this paragraph, the following definition shall apply: Construction, reconstruction, erection, or installation is deemed to begin with the incorporation in place on the site by the applicant or by any other person pursuant to any contract, understanding, or arrangement directly or indirectly for or with the applicant, of physical materials as an integral and permanent part of any building, structure, or other real property (for example, the pouring or placing of footings or other foundations). Acquisition of land; engineering; contracting for construction; preparation of site; building of access roads; excavation; demolition; installation of service utilities required for construction; the fabrication, production, or processing of building materials or building equipment; or the acquisition of personal property to be installed in the building, structure, or other real property does not constitute beginning of construction, reconstruction, erection, or installation.

(e) *Modification of regulations.* The provisions of these regulations concerning time and place for filing applications for Necessity Certificates and the estimated cost of facilities to which paragraph (d) (3) (i) of this section is applicable, may be changed by the Certifying Authority. Such change shall be made effective not less than 15 days after publication in the Federal Register.

(f) *Referral of application.* Each application, after acknowledgment, will be referred to that agency and officer of the Government according to its respective assigned responsibilities under the Defense Production Act of 1950, as amended. The military department or other Government agency directly interested in the production of the material or service involved in the application for certification shall on request of any agency or officer to whom the application has been referred, and may in any case, supply such information and advice as may aid the agency or officer in making his report and recommendation to the Certifying Authority.

(g) *Responsibilities of agencies and officers other than Certifying Authority.* Delegate agencies or officers of the Government to which an application is referred, shall be responsible for making a report and recommendation for specific action to the Certifying Authority regarding each application. Such report and recommendation shall be based upon a thorough examination and investiga-

tion conducted by the delegate agency or officer or by other competent Government agencies or officers. Such reports shall conform to instructions issued by the Certifying Authority.

(h) *Action by the Certifying Authority.* After consideration of relevant factors, including but not limited to the reports of the delegate agencies and officers of the Government, the Certifying Authority will take action upon the application.

(i) *Necessity Certificate.* Upon approval of an application, a Necessity Certificate will be forwarded to the Commissioner of Internal Revenue and will constitute conclusive evidence of certification by the Certifying Authority that the facilities therein described are necessary in the interest of national defense and of the portion of the adjusted basis upon which the amortization deduction under section 124A (a) shall be computed. The Certifying Authority will not certify the accuracy of the cost of any facility nor of any date relative to the construction, reconstruction, erection, installation, or acquisition thereof. It will be incumbent upon taxpayers electing to take the amortization deduction to establish to the satisfaction of the Commissioner of Internal Revenue the identities of the facilities, the costs thereof, and the dates relative thereto.

(j) *Further description after certification.* (1) Where the actual description or cost of a certified facility varies or will vary so materially from the description or cost in the application for certificate as to put in question the identity of the facility, the taxpayer may request an amendment of the certificate by filing a statement with the Certifying Authority setting forth the revised description or cost.

(2) The statement should consist of four copies of an amended Appendix A setting forth all of the emergency facilities certified with their revised descriptions or costs, in the same order in which such emergency facilities were listed on the original Appendix A. However, where the original Appendix is lengthy and only a few variations or changes are involved, the four copies of the amended Appendix A may list only the facilities changed. In all instances, the amended descriptions or costs should be identified, by item and page number, with the descriptions or costs contained in the original Appendix A, and should be accompanied by a letter explaining all changes with the reasons therefor.

(3) If the Certifying Authority is of the opinion that the varied or changed costs or descriptions are within the scope of the original certification, the amended Appendix A will be forwarded by the Certifying Authority to the Commissioner of Internal Revenue for substitution for the original Appendix A attached to the original certificate to have the effect of an amendment thereof. A copy of the amendment will be transmitted to the taxpayer.

(4) Although reasonable substitutions for facilities previously certified may be determined to be within the scope of the original certification, additional facilities, as a general rule, will not be considered to be within the scope of the original certification and will require a separate new application which may be subject to the provisions of paragraph (d) (3) (i) of this section. The Certifying Authority may, however, afford a filing date for such separate application which will correspond to the date on which the application for amendment was filed for the facilities found to be outside the scope of the original certification.

(k) *Cancellation or amendment of Necessity Certificate.* The Certifying Authority may (1) cancel any Necessity Certificate where it has been obtained by fraud or misrepresentation or has been issued through error or inadvertence, or (2) amend any Necessity Certificate for sufficient cause.

SEC. 5. *Exercise of powers of Certifying Authority.* Any actions taken in exercise of the powers and authority vested in the Administrator of the Defense Production Administration by Executive Order 10200, dated January 3, 1951, under section 124A (e) of the Internal Revenue Code may be taken in the name of the Defense Production Administration by the Administrator's authorized representative.

Effective Date: March 1, 1952.

MANLY FLEISCHMANN,
Defense Production Administrator.

Approved:
HARRY S. TRUMAN,
The White House.

EXHIBIT 25

CRITERIA FOR PROCESSING APPLICATIONS FOR LOANS UNDER TITLE III OF THE DEFENSE PRODUCTION ACT OF 1950

I. Before an application for a loan (title III, sec. 302) will be approved, *all* the following *criteria* must be met:

1. That the funds will be used for—
   a. Expansion of *capacity; or*
   b. development of technological processes; *or*
   c. production of essential materials (including the exploration, development, and mining of strategic and critical materials and minerals.
2. That such funds will be used—
   a. To *expedite* production and deliveries or services to *aid in carrying out government contracts* for the procurement of materials and the performance of services for the *National Defense.*
3. That the expansion of facilities or the development of technological process or the production of essential materials, as intended by the use of such funds, cannot be *accomplished in another manner* which will place less strain on such strategic factors as manpower, materials, transportation facilities, defense security, etc.
4. That the *factors of production* needed in order to make effective use of funds for which application is made are available and that the proposed project is *feasible.*
5. That multi-labor shifts, idle facilities, existing unused capacity, or readily convertible facilities are *not available* and suitable for accomplishing the purpose for which the funds are intended.
6. That the funds will be used in such a manner as to relieve, at least in part, *current or prospective shortages* of materials or services essential for defense.
7. That the applicant must be a *private business enterprise* (including research corporations not organized for profit).

II. The following *principles* or *guides* must be employed *to the maximum extent* in arriving at a final determination upon a loan application (title III, sec. 302):

1. That the funds will be used in such manner as to promote *competitive enterprise* and to assist in the development and expansion of *small business.*
2. That the funds will not be used, directly or indirectly, to create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power.
3. That the materials or services to be produced, or the facilities which are to be expanded will be or will produce materials which are or are likely to become in *critical supply* as evidenced by the imposition of inventory controls, allocations, or priority controls.
4. That the use of such funds will not require *diversion* of materials and/or facilities from more important or equally important civilian or military use.
5. That the materials or services or facilities for which such funds are intended, will relieve existing or currently threatening *bottlenecks* in the production or distribution of materials or services needed for defense.
6. That the applicant is in fact performing under a *defense contract* or is negotiating for a defense contract, for which the funds will be used to permit completion or initiation of performance under such contract.
7. That the project for which such funds are intended is one which fits appropriately into *essential programs* for National Defense.

Source: Defense Production Administration, Office of Resources Expansion, April 1, 1952.

EXHIBIT 26

METALWORKING INDUSTRY EMPLOYMENT SURVEY

Industries with a large number of small plants: Percent change in employment—December to March

Cutlery:	
1 to 99 employees	5-percent increase.
Over 500 employees	1-percent decrease.
Fabricated structural products:	
1 to 99 employees	4 percent increase.
Over 500 employees	1-percent increase.
Metal stamping:	
1 to 99 employees	1-percent increase.
Over 500 employees	1-percent increase.
Lighting fixtures:	
1 to 99 employees	2-percent increase.
Over 500 employees	2-percent decrease.
Fabricated wire products:	
1 to 99 employees	1-percent increase.
Over 500 employees	1-percent decrease.
Metalworking machinery:	
1 to 99 employees	2-percent increase.
Over 500 employees	1½-percent increase.

Source: National Production Authority, Office of the Administrator.

EXHIBIT 27

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington 25, D. C.

CURRENT AND ANTICIPATED EMPLOYMENT IN SELECTED METALWORKING INDUSTRIES, BY SIZE CLASS OF ESTABLISHMENT, DECEMBER 1951–MARCH 1952

Table 4 in the series of tables covering December 1951 and January 1952 actual, and February and March anticipated employment for selected metalworking industries, contains data by size class of establishment in four major industry groups and, in greater detail, for thirty industry groups.

Estimates of employment by size class for December 1951 were derived by applying the size distribution for October 1951 from the special BLS series "Employment in Selected Metalworking Industries by Size Class of Establishment" to the December 1951 employment estimates contained in the "Employment in Selected Metalworking" series.

Size estimates for the remaining months were derived from the telegraphic survey. Thus, the January estimates were prepared by applying the "percent change" between December and January employment for each cell, based upon data reported in the telegraphic survey, to the December estimate. Data for February and March were obtained in the same manner. For example, the February estimate was obtained by applying the January-February "percent change" to the January figure, and March data were obtained by using a February-March "percent change" applied to the February estimate. To obtain the industry group totals, the size classes in each industry were summed.

Establishments in the survey were classified by size on the basis of the number of production workers in March 1950.

These estimates are not comparable with the previously published series on "Employment in Selected Metalworking Industries by Size Class of Establishment" for two reasons:

1. These series contain data on "all employees" while the other series pertains to "production workers."

2. The level for the two series will differ. The previously published series were based on a March 1950 benchmark. Thereafter, each quarterly estimate for a specific 3-digit industry represented the summation of the size class estimates in that group. This resulted in "weighted" total industry estimates. The series in

this table, however, begin with a new level—December 1951, and as such are comparable for that month only with the special monthly employment estimates prepared for NPA, entitled "Employment in Selected Metalworking Industries."

TABLE 4.—*All employees, by size class, in selected metalworking industries*

[In thousands]

Industry group	Size class	All employees			
		December 1951	January 1952	February 1952 [1]	March 1952 [1]
All metalworking industries	Total	4,939.7	4,962.3	5,059.8	5,143.5
	1 to 99	720.0	717.0	741.0	758.4
	100 to 499	1,070.6	1,075.4	1,094.1	1,112.2
	500 and over	3,149.1	3,169.9	3,224.7	3,272.9
Fabricated metal products	Total	945.9	941.0	950.5	963.1
	1 to 99	272.2	270.0	276.7	281.2
	100 to 499	332.0	330.4	335.1	341.3
	500 and over	341.7	340.6	338.7	340.6
341—Tin cans and other tinware	Total	46.2	44.9	44.3	45.3
	1 to 99	4.5	4.5	4.7	4.9
	100 to 499	21.6	21.0	21.2	21.6
	500 and over	20.1	19.4	18.4	18.8
342—Cutlery, hand tools, and general hardware	Total	147.2	147.5	148.1	150.4
	1 to 99	30.6	31.1	32.0	32.2
	100 to 499	51.8	51.6	52.0	54.1
	500 and over	64.8	64.8	64.1	64.1
343—Heating apparatus (except electric) and plumbers' supplies	Total	128.1	125.5	127.6	130.0
	1 to 99	19.6	18.8	19.5	20.2
	100 to 499	46.2	45.3	46.0	47.0
	500 and over	62.3	61.4	62.1	62.8
344—Fabricated structural metal products	Total	234.9	234.8	239.3	242.8
	1 to 99	89.1	89.0	91.6	93.2
	100 to 499	80.1	80.0	81.8	83.5
	500 and over	65.7	65.8	65.9	66.1
346—Metal stamping, coating and engraving	Total	166.1	166.0	166.5	168.1
	1 to 99	59.9	59.0	59.6	60.4
	100 to 499	44.5	44.6	45.0	45.2
	500 and over	61.7	62.4	61.9	62.5
347—Lighting fixtures	Total	44.8	44.0	44.4	44.9
	1 to 99	16.8	16.3	16.7	16.9
	100 to 499	11.6	11.6	11.9	12.0
	500 and over	16.4	16.1	15.8	16.0
348—Fabricated wire products	Total	57.4	57.5	57.7	58.0
	1 to 99	17.5	17.3	17.6	17.8
	100 to 499	20.7	20.8	21.0	21.2
	500 and over	19.2	19.4	19.1	19.0
349—Miscellaneous fabricated metal products	Total	121.2	120.8	122.6	123.6
	1 to 99	34.2	34.0	35.0	35.6
	100 to 499	55.5	55.5	56.2	56.7
	500 and over	31.5	31.3	31.4	31.3
Machinery (except electrical)	Total	1,638.6	1,651.9	1,677.9	1,698.0
	1 to 99	290.4	291.6	302.8	309.2
	100 to 499	403.4	404.9	412.2	417.3
	500 and over	944.8	955.4	963.4	971.5

[1] Estimated.

TABLE 4.—*All employees, by size class, in selected metalworking industries*—Con.

Industry group	Size class	All employees			
		December 1951	January 1952	February 1952 [1]	March 1952 [1]
All metalworking industries—Continued					
Machinery (except electrical)—Con.					
351—Engines and turbines	Total	109.0	109.9	110.9	112.2
	1 to 99	2.9	3.0	3.1	3.3
	100 to 499	13.2	13.4	13.8	14.1
	500 and over	92.9	93.5	94.0	94.8
352—Agricultural machinery and tractors.	Total	183.5	185.5	189.3	191.1
	1 to 99	21.2	21.6	23.3	24.3
	100 to 499	31.2	31.8	32.5	33.0
	500 and over	131.1	132.1	133.5	133.8
353—Construction and mining machinery and equipment.	Total	123.8	125.7	127.5	129.1
	1 to 99	14.9	15.0	15.4	15.7
	100 to 499	44.7	45.0	45.5	46.2
	500 and over	64.2	65.7	66.6	67.2
354—Metalworking machinery	Total	255.5	257.0	261.8	264.9
	1 to 99	74.8	75.0	77.8	79.0
	100 to 499	68.9	69.9	71.1	72.0
	500 and over	111.8	112.1	112.9	113.9
355—Special-industry machinery (except metalworking machinery).	Total	208.8	208.9	211.6	214.7
	1 to 99	62.9	62.9	64.4	65.6
	100 to 499	65.6	65.8	66.5	67.5
	500 and over	80.3	80.2	80.7	81.6
356—General industrial machinery and equipment.	Total	238.5	243.4	246.0	248.8
	1 to 99	43.0	42.9	44.0	44.8
	100 to 499	82.6	82.9	84.1	85.2
	500 and over	112.9	117.6	117.9	118.8
357—Office and store machines and devices.	Total	101.1	101.2	102.0	103.1
	1 to 99	5.2	5.2	5.4	5.6
	100 to 499	15.3	15.3	15.6	15.9
	500 and over	80.6	80.7	81.0	81.6
358—Service-industry and household machines.	Total	203.3	205.9	212.0	215.0
	1 to 99	15.2	15.2	16.2	17.0
	100 to 499	33.8	32.8	34.7	34.6
	500 and over	154.3	157.9	161.1	163.4
359—Miscellaneous machinery parts	Total	215.1	214.4	216.8	219.1
	1 to 99	50.3	50.8	52.7	53.9
	100 to 499	48.1	48.0	48.4	48.8
	500 and over	116.7	115.6	115.7	116.4
Electrical machinery, equipment, and supplies.	Total	895.4	900.0	911.9	923.7
	1 to 99	96.2	96.3	99.7	102.6
	100 to 499	201.5	201.5	204.8	208.2
	500 and over	597.7	602.2	607.4	612.9
361—Electrical generating, transmission, distribution, and industrial apparatus.	Total	353.9	357.3	361.6	364.8
	1 to 99	39.2	39.6	40.8	41.7
	100 to 499	68.0	68.6	69.2	70.0
	500 and over	246.7	249.1	251.6	253.1
362—Electrical appliances	Total	40.0	39.5	39.8	40.0
	1 to 99	5.3	5.2	5.5	5.7
	100 to 499	12.0	11.9	11.9	11.7
	500 and over	22.7	22.4	22.4	22.6

[1] Estimated.

TABLE 4.—*All employees, by size class, in selected metalworking industries*—Con.

Industry group	Size class	All employees			
		December 1951	January 1952	February 1952 [1]	March 1952 [1]
All metalworking industries—Continued					
Electrical machinery, equipment, and supplies—Continued					
363—Insulated wire and cable	Total	21.5	21.7	21.9	22.1
	1 to 99	4.2	4.2	4.3	4.3
	100 to 499	10.0	10.0	10.1	10.1
	500 and over	7.3	7.5	7.5	7.7
364—Electrical equipment for motor vehicles, aircraft, and railway locomotives and cars.	Total	49.7	49.8	49.1	49.5
	1 to 99	1.9	1.9	2.0	2.1
	100 to 499	6.0	6.0	5.9	6.0
	500 and over	41.8	41.9	41.2	41.4
365—Electric lamps	Total	21.0	20.7	20.1	20.0
	1 to 99	.5	.5	.5	.5
	100 to 499	7.0	6.8	6.6	6.5
	500 and over	13.5	13.4	13.0	13.0
366—Communication equipment and related products.	Total	366.4	369.2	377.3	384.6
	1 to 99	37.8	37.8	39.3	40.9
	100 to 499	79.4	80.0	82.8	85.4
	500 and over	249.2	251.4	255.2	258.3
369—Miscellaneous electrical products	Total	42.9	41.8	42.1	42.7
	1 to 99	7.3	7.1	7.3	7.4
	100 to 499	19.1	18.2	18.3	18.5
	500 and over	16.5	16.5	16.5	16.8
Transportation equipment	Total	1,459.8	1,469.4	1,519.5	1,558.7
	1 to 99	61.2	59.1	62.3	65.4
	100 to 499	133.7	138.6	142.0	145.4
	500 and over	1,264.9	1,271.7	1,315.2	1,347.9
371—Motor vehicles and motor-vehicle equipment.	Total	706.2	701.8	729.9	748.4
	1 to 99	31.3	31.8	32.6	33.5
	100 to 499	67.5	68.2	68.7	69.3
	500 and over	607.4	601.8	628.6	645.6
372—Aircraft and parts	Total	544.0	554.2	569.3	583.1
	1 to 99	13.7	11.3	12.0	12.4
	100 to 499	32.4	36.5	37.8	39.4
	500 and over	497.9	506.4	519.5	531.3
373—Ship and boat building and repairing.	Total	116.4	121.2	127.3	133.3
	1 to 99	11.4	11.3	12.8	14.4
	100 to 499	21.0	21.3	22.7	23.6
	500 and over	84.0	88.6	91.8	95.3
374—Railroad equipment	Total	78.7	78.7	79.2	79.7
	1 to 99	1.2	1.2	1.3	1.4
	100 to 499	8.9	8.8	8.9	9.1
	500 and over	68.6	68.7	69.0	69.2
375—Motorcycles, bicycles, and parts	Total	9.7	8.8	9.0	9.2
	1 to 99	.5	.4	.4	.4
	100 to 499	2.2	2.3	2.3	2.3
	500 and over	7.0	6.2	6.3	6.5
379—Transportation equipment, not elsewhere classified.	Total	4.8	4.7	4.8	5.0
	1 to 99	3.1	3.1	3.2	3.3
	100 to 499	1.7	1.6	1.6	1.7
	500 and over	----	----	----	----

[1] Estimated.

Source: U. S. Department of Labor, Bureau of Labor Statistics, Division of Manpower and Employment Statistics (February 1952)

EXHIBIT 28

REMOVAL AND RELAXATION OF CONTROLS ALREADY EFFECTED BY NPA

MARCH 10, 1952.

Hon. BURNET R. MAYBANK,
Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.

DEAR SENATOR MAYBANK: I understand there is some general interest in the hearings being conducted by the Committee on Banking and Currency on the extension of the Defense Production Act of 1950, as amended, in the possibility of the relaxation or suspension of controls. While most of the questions and comments up-to-date may have had to do with the question of price and wage controls, the topic of the suspension of production and material controls may also be the subject of comment.

You will recall that Mr. Charles E. Wilson, when he appeared before your committee on Tuesday, March 4, made the following statement:

"You know my position—I have always opposed controls unless they were absolutely necessary. As far as this situation is concerned, any regulation that can come off without hurting the defense effort will be taken off."

It occurred to me that it might be useful for ready reference by you and the committee members to have a listing of actions already taken by the National Production Authority in removing controls on production and materials where it was determined administratively that it could be done without hurting the defense effort. Accordingly, I attach a list of instances of removal and relaxation of controls effected by NPA. It will be noted that in a number of instances there has been an outright revocation of orders imposing controls. In addition to the instances listed, I would like to point out that non-nickel-bearing stainless steel has been removed from the category of controlled materials under the Controlled Materials Plan, so that it can be purchased now without an authorized controlled materials order. Furthermore, similar action is now being taken to relax controls on secondary steel production.

I should also mention the converse of this situation. While the National Production Authority is able to remove or suspend controls on some materials, it is confronted by the necessity at the same time of effecting new controls on certain other materials for which the demands of the mobilization program are increasing to the point that they can not be met on schedule if their distribution is not properly channeled.

I trust the instances cited in this letter and the attachment will illustrate the administrative feasibility of the present Act and Mr. Wilson's statement that we attempt to follow the practice of removing controls that can come off without hurting the defense effort.

Sincerely yours,

HENRY H. FOWLER, *Administrator.*

(ATTACHMENT)

1. Deerskins—Order M–29, revoked October 1, 1951. Decline in military demands for combat gloves resulted in revocation of order which reserved deerskins for military uses.

2. Sole Leather—Order M–34, revoked July 31, 1951. Rescheduling of military procurement and increase in domestic and foreign hides assured adequate supplies.

3. Cattlehides, Calfskins, and Kips—Order M–35, revoked effective February 29, 1952. Military and civilian demand had fallen sharply and supplies increased. Allocations were increased to 100% or more of base since September while purchases sharply declined.

4. Horsehides, Cabrettas, Sheepskins, Shearlings, and Kangaroo Skins—M–62, revoked effective February 29, 1952. Decline in military and civilian demand plus soft supply situation and inventory holdings indicated necessity for revocation.

5. Glass Containers—Order M–51, Simplification and Use, revoked December 29, 1951. Sound demand estimates for 1952 indicated that a sufficient level of production could be achieved despite increased use stemming from limitations imposed in active container areas.

6. Poly Tetra-Fluor Ethylene—M–45, Sch. 2, revoked February 20, 1952. The sole producers' limited supply capacity was increased slightly during the summer of 1951 and military demands dropped because of design changes incorporating other materials. Future Munitions Board schedules remain at low levels.

7. Plastic Type Nylon—M–45, Sch. 4, revoked January 15, 1952. Installation of additional facilities during the summer of 1951 and the overcoming of raw material shortage in October 1951 resulted in a supply sufficient to meet all demands.

8. Methyl Chloride—M–45, Sch. 8, revoked January 15, 1952. Increased efficiency of operations and installation of new production facilities during the fall of 1951 overcame the estimated shortage (at the time of issuance of order) of 500,000 pounds per month. Supply and demand balance achieved.

9. Rubber—M–2, effective January 1, 1952. Eliminated control over total quantities of new rubber which can be consumed. This action was due to tremendously increased production of synthetic rubber and to improvement of inventories of finished rubber goods. Manufacturing specifications in the order continue to maintain a given ratio between natural and synthetic consumption. GR–I, butyl synthetic continues under allocation.

10. Sulphuric Acid—Schedule 3 to NPA Order M–45, effective Dec. 29, 1951. Schedule 3 to NPA Order M–45 was revoked on December 29, 1951. Under this Schedule sulphuric acid had been subject to full allocation in eleven western states. On the same date NPA Order M–94 was issued, retaining a minimum control over sulphuric acid. This order simply requires that each producer of sulphuric acid who is also a user of this material must maintain the same ratio between his monthly production and use of acid which he maintained during the calendar year 1950. Thus sulphuric acid has been substantially decontrolled.

11. Storage Batteries—M–93, revoked effective February 26, 1952. Increase in lead supplies due to break in world prices and settlement of strike, together with suspension of import duty has resulted in a great easing of the supply.

12. Cadmium—M–19, effective July 30, 1951. Order was relaxed on July 30, 1951 by adding about 9 new classes of permitted items, relaxing specifications on a few more, and permitting 60 percent base period use in production of pigments instead of 40 percent.

13. Lead—M–38, effective March 3, 1952. Limitations on use of lead removed. Inventory control retained. Order M–76 covering distribution of pig lead will be continued but allocations are being increased and system liberalized.

14. Construction—CMP Regulation No. 6 revised, effective March 6, 1952. Relaxes limitations on construction by (1) increasing the amount of steel that may be obtained by self-authorization for smaller commercial, school and other non-industrial construction; (2) increasing the amount of steel that may be obtained by self-authorization for road and highway construction; and (3) permitting use of foreign and used steel in addition to quantity which builder may obtain by allotment or self-authorization, provided that he will not thereby require greater amounts of copper or aluminum controlled materials than those for which he has received an allotment.

Exhibit 29

International Materials Conference

Statement of Charles E. Wilson, Director of Defense Mobilization, Before the Committee on Banking and Currency of the United States Senate, Friday, March 21, 1952

Mr. Chairman and members of the committee, I welcome very sincerely this opportunity to discuss with you the International Materials Conference. There has recently been considerable evidence of misunderstanding with respect to the purpose and authority of the Conference. The facts of the situation are readily available and I shall try to lay them before you.

As you know, the start of the Korean war on June 25, 1950, came at a time when our industry was operating at a generally high level of productivity with consequent heavy demand for raw materials. In addition, the United States had been trying to stockpile many strategic materials for use if war came, particularly those imports which would be subject to wartime interference. Hostilities in Korea soon caused accelerated placement of military procurement contracts. In the fall of 1950 business firms and individual consumers, mindful of their experiences during World War II, hastened to increase their inventories of raw materials and manufactured items which would become scarce if hostilities were extended.

As similar pressures mounted in other countries, a world-wide scramble for strategic and critical materials occurred. Unprecedented price increases devel-

oped as demand overwhelmed supply. Unfortunately, production of most strategic and critical materials cannot be quickly increased. In tin, rubber and wool, the prices rose spectacularly; in other materials, such as copper, lead, zinc, nickel and cobalt, the prices rose substantially.

Throughout the fall of 1950, the Government took a number of first steps to meet specific and general problems of raw materials shortages. To insure effective distribution among importing countries, the United States, in September, imposed export controls on cotton because of a shortage due chiefly to a poor crop in the United States. The Congress of the United States passed and the President approved the Defense Production Act of 1950, which gave the Government authority to stabilize prices and wages, allocate materials, reduce or eliminate nonessential consumption, and expand production of scarce materials and of essential goods and services. At about the same time, the United States took the initiative in bringing together major wool-producing countries to determine whether a serious shortage was imminent, and if so, whether international allocation should be instituted.

The North Atlantic Treaty Organization (NATO) also began to examine the raw materials problem, since the military production programs of all nations depend upon the availability of those materials. In November and December, initial plans were drawn by interested governments for an intergovernmental conference to study the need for international action on rubber. These and other scattered efforts confirmed and emphasized the need for a more clear cut international instrument to deal promptly with commodity shortages of all types in accordance with uniform principles.

The geography of raw materials is a matter of chance, with no country or area self-sufficient in the materials it needs and with each controlling some resources to which others must have access. The United States and her Western European military allies do not by any means control all of the materials that are necessary to defense production. The United States is certainly a most fortunate country in this respect. Yet we are dependent to a great extent on other nations for over 40 very important strategic materials. For example, we import all our natural rubber, from remote areas such as Malaya, Indonesia, Cambodia, Ceylon, Thailand, and Liberia; our tin from Malaya, Indonesia, and Bolivia; our industrial diamonds from the Belgian Congo and South Africa. At the same time, the United States is the major source not only of manufactured goods, but of some of the raw materials, such as cotton, sulfur, and molybdenum, which other areas must import. An organization wide enough to embrace free countries in all areas of the world was required.

The way in which international action on raw materials could best be organized was widely discussed within and among governments. Guided by the results of this study and recognizing that circumstances required action without additional delay, President Truman and Prime Minister Attlee at their meeting in Washington in December 1950 considered an emergency organization specifically designed to handle the raw materials problems of the current period and similar in purpose and operation to the Combined Raw Materials Board of World War II. The idea was then discussed with the Government of France.

On January 12, 1951, the three Governments issued a joint statement of their conclusion that early action was called for and that invitations would be sent to other interested friendly governments for the establishment of standing international commodity groups, representing the governments of the principal producing and consuming countries of the free world which have a substantial interest in the commodities concerned. These commodity groups would consider and recommend to governments the specific action which should be taken, in the case of each commodity, in order to expand production, increase availabilities conserve supplies, and assure the most effective distribution and utilization of supplies among consuming countries.

This was the start of the International Materials Conference.

The International Materials Conference is the title applied to seven commodity committees, a central group, and a staff. The raw material selected for coverage by the commodity committees were those which required immediate attention because of the widespread need for them and the great apparent shortage. The seven committees are as follows: Copper-lead-zinc; cotton-cotton linters; manganese-nickel-cobalt; pulp-paper; sulfur; tungsten-molybdenum; and wool. The first committee met in February 1951. Invitations to join the committees were issued to those countries in the free world which have a substantial producing or consuming interest in the commodities concerned. After the committees met, they adopted their own rules of membership and procedure, providing for a process

whereby new members may be added. A total of 28 countries in the free world are now members of one or more commodity committees.

The first task of the committees was to review the facts of supply and demand. In some commodities this was difficult because statistics on production and consumption were not readily available. By the cooperation of many countries, however, statistics were developed.

The second task of the committees was to determine what, if any, action should be recommended to governments to alleviate the difficulties revealed by a review of the facts. In many cases the committees have recommended that governments take action to encourage increased production and to develop measures of conservation.

In a number of cases the facts revealed such a disparity between available supplies and the requirements of the free world for defense and essential civilian purposes that the committees recommended distribution according to defense and essential civilian requirements. Sulfur, tungsten, and molybdenum were thus recommended for allocation for the third quarter of 1951, and copper, zinc, nickel, and cobalt beginning in the fourth quarter of 1951. These allocations are renegotiated periodically, usually quarter by quarter.

The IMC committees have no authority to decide how much of a commodity a country must make available or how much or for what purposes it shall consume. The result of each negotiation within a committee is a recommendation to governments, which has no effect unless the governments decide to accept it and to put it into effect.

Other commodities studied by the committees were not recommended for allocation. Supply and demand in lead and manganese were judged to be about in balance; cotton and cotton linters, while in short supply last year, are now expected to be much easier; the Wool Committee did not agree on the scope of the wool shortage, nor on steps to alleviate it. The Pulp and Paper Committee has recommended small emergency allocations of newsprint to help the press of many countries of the free world continue in operation, but no over-all allocation of newsprint has ever been recommended.

In the course of their work, the committees have obtained the cooperation of a great many countries which are not directly represented, but which also have an interest in the production or consumption of the commodity concerned. In instances in which allocations are recommended by committees, countries which are not members are given an opportunity to state their requirements, and to appear before the committees if they wish. The results of the committees' deliberations on allocations are communicated to all interested governments and, after acceptance by member countries, are made public.

In addition to the commodity committees there is a Central Group, the function of which is to decide whether any new committees should be established, to supervise the work of the Secretariat, and to effect coordination of the commodity committees. The original Central Group consisted of representatives of the United States, the United Kingdom, and France, but the Group has now been expanded so that it includes representatives of Australia, Brazil, Canada, India, and Italy as well. It also includes a representative of the Organization of American States, and one from the Organization for European Economic Cooperation.

The Secretariat of the International Materials Conference is contributed by interested governments. The Executive Secretary is an American, and the United Kingdom and France have each contributed one Assistant Executive Secretary. The Secretariat has the task of servicing the commodity committees and the Central Group, and is not engaged in the development of policy. The commodity committees and the Central Group elect their own chairmen and vice chairmen, and a broad representation of the various countries in the free world prevails. The first Chairman of the Central Group was an American, Mr. Edwin T. Gibson, Deputy Administrator of the Defense Production Administration.

The present United States representative on the Central Group, Mr. Gabriel J. Ticoulat, serving as Deputy Administrator of the Defense Production Administration, is here today and will furnish the committee with details concerning allocation programs recommended by the Conference.

I should like to comment on only two aspects of those programs. First, the share of world supply recommended for the United States has in every case corresponded closely with the share the United States secured for itself in the days of free competition for supplies in the years of 1948, 1949, and 1950. Second, I am convinced that the general acceptance by the governments involved of IMC allocation recommendations has contributed substantially to avoiding runaway price increases in the short materials. The producing and consuming governments

alike have, I believe, made real efforts to comply with the accepted arrangements as is evidenced by our success in achieving the general levels of supply agreed upon. This cooperation has avoided the competitive scramble for materials which could have resulted in increasing beyond reason the cost of our mobilization program.

In connection with the problem of imports of raw materials, I would also like to stress the stabilization aspects of our actions. During 1951, we experienced declines from the 1950 peaks of imports of nonferrous metals while domestic demand continued to rise at a greater rate than the expansion of our domestic production. In part, we could not expect to maintain the abnormally high levels of imports of 1950 as world stocks were depleted under the surge of demand. Another part of the reason for this decline in imports was a diversion of supply from the United States to foreign markets because of the difference between domestic and world prices for these commodities. Some copper was sold at well above our 24½ cent domestic ceiling with some sales being reported as high as or even higher than 50 cents on the European Continent. Likewise, lead and zinc were bid up well above our respective domestic 17 and 17½ cent price ceilings with sales being made to foreign purchasers at 24 and 28 cents a pound or even higher. Our imports fell off as sales to other countries became more attractive.

In the case of copper, we took action in May 1951 when the price of Chilean copper was raised 3 cents a pound. Thereafter, copper refined in the United States from imported ores was also raised 3 cents a pound. The shortages of copper in the late summer and fall of 1951 were due to strikes in both Chile and in the United States which cut into production and, of course, these decreases were not in any way due to the level of copper prices. In September 1951, when we took action to raise lead and zinc prices and to set import ceilings on lead and zinc, it was felt that no further action, pricewise, was required at that time for copper. The lead and zinc situation required us to establish a plan of action which called for increasing the ceilings on lead and zinc by 2 cents a pound to 19 and 19½ cents. We imposed import ceilings at these levels, thereby stating to the world that this was as high a price as we would pay for these metals. International allocations had already been accepted for zinc and copper, and it was expected that this would substantially arrest inflation of prices for them. We encouraged further expansion of domestic supply. It was recognized that a calculated risk was being taken, and that for a time we could expect our imports to decline further.

Our imports of lead and zinc were still unsatisfactory in October and November 1951 while the pipelines of the rest of the world started to become clogged. In December the price of lead started to fall after we held firmly to the 19-cent import price. The calculated risk paid off for lead. Today we are receiving a sufficient supply and the world price has receded to the level of our domestic price. NPA discontinued the allocation of lead in January. World zinc and copper prices have also receded and zinc prices are now very close to our domestic ceiling.

Some say we could have obtained more copper, lead, and zinc for the United States by not paying attention to price factors. But we have put much thought and effort into this program. Our receipts of copper in the fourth quarter of last year were actually somewhat less than the IMC allocation, and it appears that we will again be unable to reach our allotment in the first quarter of this year. Although we might have been able to outbid the world in a cutthroat competitive scramble, there would have been no common defense if we wrecked the economies of our allies. And, of course, there was no assurance that outbidding for copper would increase our imports. It might merely increase speculative hoarding as producers waited to see just how high we would bid. Copper will remain a problem until our actions to increase domestic and foreign output become effective. We all realize, however, that the supply of copper, lead, and zinc has eased and that we have recently been able to make more available to our civilian economy.

It seems clear that any effort to solve problems of shortage or surplus in raw materials must be developed on a basis of genuine effective cooperation among a fairly large number of sovereign states and peoples. If such cooperation had not been developed, countries might have bargained the raw materials they have against the raw materials and manufactured goods they need; but to do this on a narrow bilateral basis would have lead only to holding back supplies, reducing levels of production and increasing international animosity. Instead of trading one specific commodity or resource against another, countries must trade all commodities in general cooperation for the defense of the free world.

Our own cooperation with the other nations of the free world has, I think I can say, been whole-hearted and effective. We have tried not to lose sight of the fact that our strength and the strength of the rest of the world are interdependent.

We are prepared to stand as the leader of the opposition to Communist tyranny but we do not want to stand alone.

I want the committee to know that from the standpoint of the United States Government the International Materials Conference is a proper and important part of the administration of the Defense Production Act. It has no function beyond the purposes of the Defense Production Act and it is well designed to contribute to the accomplishment of those purposes.

Legal and effective use of the priorities and allocation authority rests upon information and judgment as to the needs of the national defense, including the essential civilian economy, and the relative importance of those needs. Uninformed and unreasoned allocations of materials would be arbitrary and unlawful. The procedure for securing information and making judgments with respect to the domestic aspects of the defense program is fairly well known. The procedures affecting the international part of the program are essentially similar.

On the domestic side, the Defense Production Administrator has designated 20 officers and agencies of the Government to present the requirements for materials of various segments of the economy. Thus, the Secretary of Agriculture makes known the needs of the farmer, the Secretary of Defense presents requirements of the military program, the Secretary of Commerce claims materials for coastwise and overseas shipping, and so on. Representatives of these "claimant agencies" meet and confer with a view to resolving the conflicts which must occur whenever total requirements exceed total supply.

Out of these conferences come recommendations for materials allocation that reflect reasoned compromise and adjustment. By facing the hard fact of limited supply and discussing freely the effects which cut-backs will have on the various programs an intelligent over-all program may be arrived at. Thus, if it appears that the production of certain items must be curtailed, it may well follow that the provision of transportation services can also be reduced. If the product is not available for shipment, shipping facilities are to that extent unnecessary. On the other hand, if it becomes necessary to limit the expansion of one transportation system, that limitation may make necessary the provision of additional materials for maintenance of another system on which an increased burden will fall. By such means—a joint attack on the problem of supply and requirements—20 programs, and more, may be shaped to conform to inadequate supply without unnecessary damage to any of them.

In arriving at informed decisions on materials allotment it is not possible to isolate the domestic scene. Requirements for foreign production intimately affect military and civilian programs both in terms of supply of raw materials from abroad and the export of raw materials and products to other nations of the free world.

The importance of Canadian nickel, Chilean copper, and African cobalt is immediately obvious. The requirements of the economy of those and the other countries outside the area of communistic domination are equally important. As long as world supply of materials necessary to our own and other nations' production programs continues to be inadequate, there is need for the same joint consideration of how those programs may be adjusted to the realities of supply as is given our domestic programs through the device of the claimant agencies.

In the commodity committees of the International Materials Conference the claims of the various major producers and consumers are stated and discussed, compared and adjusted, on the basis of informed opinion. In such meetings it is possible to evaluate comparative essentiality and the interrelation of necessary program curtailments in quite the same way that the requirements committees of the Defense Production Administration coordinate domestic programs. The recommendations of the commodity committees go to all the governments involved and make possible decisions by those governments based on adequate information and the exercise of reasoned judgment. Some such procedure is clearly necessary to avoid arbitrary decisions.

Since the product of the work of the commodity committees is a recommendation to the various governments which can be given effect only by action of those governments, criticism of the Conference must take the form of a contention either that we should not seek the advice on materials allocation of a group in which foreign governments are represented, or that we should not be guided by such advice. While world supplies of important materials are inadequate to meet all demands, it is obvious that we must welcome all the information we can get about that demand wherever it originates. Our decisions will affect world supply whether we like it or not, and the more knowledgeable our decisions the better they will be. If it is not in seeking advice that we commit error, it must

be that we are wrong in following it. This is, of course, entirely possible, and I am most anxious to receive and consider any evidence on the point. No facts have been brought to my attention tending to show that a different allocation than any adopted by the United States on the basis of IMC recommendation would more effectively serve the purpose of strengthening the free world against the threat of Communist aggression.

For emphasis, I want to repeat that we are not and cannot be bound to accept the recommendations of the IMC. When those recommendations are accepted for the United States that acceptance flows not from any preexisting commitment to the Conference as an international organization but from the honest conviction that the results hammered out in across-the-table negotiation do in fact best serve our national interest. We must make our decisions whether or not the Conference makes a recommendation, and I want to assure you that most careful consideration will be given any iota of evidence that an IMC report gives us bad advice.

The International Materials Conference has done much to put an end to the chaotic scramble for raw materials which started in 1950. Prices have tended to become more stable, and distribution of scarce materials has been put on the basis of requirements for defense and essential civilian purposes. This has meant a decrease in tension between the countries of the free world and a demonstration to potential aggressors that the free world can cooperate effectively in a very difficult and complex field.

The free world faced and still faces a situation of danger because of the threat of aggression. In order to meet this threat, the free world must be strong. In raw materials this means that each country of the free world has a responsibility to manage its own resources and deal with other countries in such a way that the free world obtains the most efficient use of supplies which are available. The needs of defense must be met. No one country can accomplish this by itself, and all must work in cooperation.

The function and purpose of IMC is to meet this emergency need. When the emergency and the need end, IMC will end. But I am convinced that now, while the need exists, IMC is making a valuable contribution to the defense of all of us.

EXHIBIT 30

INTERNATIONAL MATERIALS CONFERENCE

INFORMATION FOR THE MEMBERS OF THE HOUSE SMALL BUSINESS COMMITTEE

(Prepared by the Committee Staff)

FUNCTION

A. The International Materials Conference is the collective title applied to seven autonomous commodity committees, a Central Group, and a Secretariat organized in 1951 at the initiative of the United States, United Kingdom, and France. It was set up because of the critical problems of raw material shortages which threatened to jeopardize defense production and the struggle against inflation.

1. IMC assumed democratic negotiation between major consuming and producing nations.

2. In general, it has accomplished the following:

a. Reviewed the supply-demand position of important commodities.

b. Recommended increased production and improved conservation.

c. Formulated measures for equitable distribution of the supplies available.

B. The Central Group of IMC was set up to decide whether any new committees should be established, to supervise the work of the Secretariat and to effect such coordination of the commodities committees as might be required. Representatives of the Central Group include the following: United States, United Kingdom, France, Australia, Brazil, Canada, India, Italy, Organization of American States, and the Organization for European Economic Cooperation.

COMMITTEE OPERATION

A. Commodity committees have from 11 to 16 members representing between 80 and 90 percent of free world production and consumption of the commodity concerned. A country may join a committee if it is sponsored by two members and if it receives a favorable vote.

B. The task of the IMC committee is to accumulate and review the facts of supply and demand. Questionnaires are circulated on requirements, production, consumption and stocks to all countries which are significant producers and consumers. If there is a substantial disparity between available supplies and requirements for defense and essential civilian purposes, the committees recommend a plan of equitable distribution.

C. Seven committees have been established to give attention to the immediate problems of the following raw materials: Copper, zinc and lead; cotton; manganese, nickel and cobalt; pulp and paper; sulphur, tungsten and molybdenum and wool.

1. The committees of IMC recommend allocation for the following materials—sulphur, tungsten, molybdenum, copper, zinc, nickel, and cobalt—all by the fourth quarter of 1951. Allocations are renegotiated periodically, usually every quarter.

2. IMC committees have no authority to decide how much of a commodity a country must make available or how much it shall consume. Recommendations are made to governments and formal action must be taken by these governments to accept the proposal and to put it into effect.

D. As of January 25, 1952, twenty-eight countries of the free world were members of one or more commodity committees.

1. Cooperation has been secured of many countries not directly represented but which have an interest in the production or consumption of a particular commodity. When considering allocation, these countries which are not represented are given an opportunity to state their requirements and appear before committees if they wish.

E. Controversies in the committees are not normally resolved by voting. In every case the purpose is to reach general agreement and, if possible, to have unanimous acceptance of a committee recommendation. The chief United States delegate to the IMC is an official of the DPA. He is responsible for determination of the position of the United States with respect to any question before the IMC committee. In developing this position, he receives the advice of all interested agencies, including the Department of State. United States delegates to the individual commodity committee come from a number of agencies and are selected on the basis of their qualifications for conducting negotiations and for knowledge and background in the specific commodity. They receive their instructions from DPA and are accountable to DPA for the results of their negotiations. Formal action by the Government of the United States in accepting a recommendation of the IMC committee is taken by DPA with the advice of the interested agencies.

"In each case in which a proposal for distribution has been accepted by the United States, the supply authorities have been satisfied that the share received by the United States has been fair."—Willard Thorp, Assistant Secretary for Economic Affairs, Department of State.

F. The committees are not specifically concerned with the problems of price but indirectly through restoring order to world markets they may be expected to make a considerable contribution to the stabilization of prices.—Willis C. Armstrong, Acting Special Assistant, Office of International Materials Policy, Department of State.

G. The United States in regard to raw materials is, to a considerable extent, a "have not" nation. Of the roughly 70 so-called critical and strategic materials, we are nearly self-sufficient in only seven. We produce only a part of our normal needs in twenty-four. We do not produce any of thirty-five. Our raw materials today are imported from countries located in South America, Europe, Asia, and Africa, thus lending an international aspect to our defense effort.—Winthrop G. Brown, Director, Office of International Materials Policy.

H. The IMC has used a hitherto untried technique in its allocations—a technique based strictly on good faith. It gives each country "an entitlement to consume" and make no effort to allocate by the source of raw materials. Allocations programs have been developed with the acquiescence of participating nations (producers as well as consumers) on seven commodities which are in short supply internationally. These commodities are nickel, tungsten, molybdenum, cobalt, suphur, zinc, and copper. The following are the percentages of total allocated material received by the United States for the first quarter, 1952.

	Percent		Percent
Tungsten	47	Zinc	47
Molybdenum	75. 9	Copper	49
Cobalt	62	Nickel	68. 3
Sulphur	75		

Source: American Metal Market.

Out of a total allocation of 33,583.3 metric tons of nickel allocated for the first quarter of 1952, we received 68¼ percent or 22,951.3 tons. The remaining 10,632 tons are allocated among 35 other countries. United Kingdom, 5,170 tons; France, 1,530 tons; and Western Germany, 1,240 tons. None of the remaining 33 countries obtained as much as 1,000 tons with 31 receiving small amounts up to 200 tons. There is a limit to our share of the world's materials if other countries are to have material essential to the build-up of their defensive strength.—American Metal Market.

I. Allocation has been necessary because of acute shortages which jeopardize essential civilian and defense production. For example, copper, zinc and lead are essential to almost every segment of our industrial economy, but the United States, despite large domestic production, must still import one-third of its requirements. Manganese, nickel, cobalt, tungsten and molybdenum are still alloying materials required in tool steel, armor plate, etc. The United States, which accounts for one-half to three-quarters of the world's consumption of these materials, has to import all or a large part of its supplies of each, except molybdenum. Many countries suffer a shortage of sulphur today and the United States is virtually the world's only source. In normal times, this product is shipped to nearly every country in the world that has any degree of industrial development. These are a few examples which point out the reliance of the productive effort of one country upon the raw material developed by another country.—Willis C. Armstrong, Acting Special Assistant, Office of International Materials Policy, Department of State.

J. As illustrations of how agreement among member countries is not always forthcoming in committees, the following examples may be mentioned:

1. An effort was made but failed to develop a long-term plan for tungsten, with guaranteed purchases by the consuming nations in a fixed price range over a five-year period.
2. The Conference never could agree over the allocation of wool primarily because of objections raised by Australia.

K. In addition to various allocations made by committees in metals, IMC has made several allocations of newsprint. The supply of newsprint seemed critical and emergency allotments were made amounting to about 3/10 of 1 percent of world production. This figure may be compared to the consumption of newsprint by the United States which is 64 percent of production in the free world. Total allocations amount to 33,650 metric tons going to 18 different countries. The newsprint program developed by the Pulp-Paper Committee of IMC for 1952 will center upon encouraging trade through normal commercial transaction with only limited emergency assistance. Canada has reserved the right to consider price policy which would result in newsprint prices closer to levels prevailing in the recipient countries. This will tend to eliminate claims for assistance which might be based solely on consideration of price rather than supply.

STATUTORY AUTHORITY

There is no specific statutory authority for participation of the United States in this Conference. It is one of the activities carried out in furtherance of the foreign policy of the United States, the responsibility for which is the President's. The President has designated the representatives of the United States in the Conference. The position of the United States in any specific commodity committee or in the Central Group is determined by the usual process of agreement among responsible executive agencies.—Jack K. McFall, Assistant Secretary of State for Congressional Relations, Department of State.

Notes from speech of February 14 by Manly Fleischmann, Defense Production Administrator, concerning international materials policy

Two misleading ideas in circulation today—the limitless resources of the American economy and that productive capacity can be maintained by going it alone—that our present productive effort is a self-run affair. "* * * American self-sufficiency in raw materials is a myth. * * *"

"Contrary to popular belief, nations which export materials to us are not content to accept payment in dollars if they cannot spend them for the materials and products they need. They will send us what we need from them only if they are assured that we will send them what they need from us."

Due to an international shortage of critical materials, the problem of inflation is a major one. A balanced military and civilian program could not be achieved if price competition in free markets is allowed to direct the distribution of these materials. Just as in our own Controlled Materials Plan "* * * critical materials in short supply cannot be pre-empted by the highest bidders or move in accordance with informal consumption patterns. They are channeled to users in terms of relative essentiality of need consistent with established mobilization objectives * * *."

The United States has not been short-changed while participating in IMC. "Our allocations have regularly been much larger than our pre-Korea share of the international supply. Current difficulties with copper are not due to inadequate IMC allocation but to our inability to find a seller who will deliver copper at our present ceiling price."

"Our Nation cannot build its defenses without the aid of other nations which produce materials we lack."

EXHIBIT 31

AUTHORITY FOR OPERATING THE INTERNATIONAL MATERIALS CONFERENCE

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION,
OFFICE OF THE DIRECTOR,
Washington 25, D. C., February 27, 1951.

Hon. WILLIAM H. HARRISON,
Administrator, Defense Production Administration,
Washington 25, D. C.

DEAR Mr. HARRISON: The duties and responsibilities of the United States representative on the Central Group—International Materials Conference were discussed at a meeting which I called on February 23, 1951. The meeting was attended by representatives of the Department of State, ECA, DPA, Bureau of the Budget, and this office.

As a result of that discussion, revisions were made in the original draft, and the final statement of duties and responsibilities has been prepared.

The work of the United States representative should be carried on within the framework of this statement, which is attached.

For your information, the summary minutes of the meeting at which this problem was discussed are also attached.

Sincerely yours,

LUCIUS D. CLAY,
Special Assistant to the Director.

Attachments.

(NOTE.—Summary minutes not attached to this copy.)

FSRC INFORMATION 1,
February 26, 1951.

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF DEFENSE MOBILIZATION, SECRETARIAT

FOREIGN SUPPLIES AND REQUIREMENTS COMMITTEE

Subject: Duties and Responsibilities of United States Representative on Central Group—International Materials Conference.

Contents: 1. Role of United States representative on Central Group IMC.
2. Establishment of Executive Committee of Foreign Supplies and Requirements Committee.
3. Provision for establishment of United States commodity advisory committees.

Comments: This statement was sent to Mr. William H. Harrison, Administrator of DPA and to Mr. William C. Foster, Chairman of the Foreign Supplies and Requirements Committee. It lays down the framework for the functioning

of the United States representative on the Central Group, International Materials Conference.

Reference: ODM letter from General Clay to Mr. Harrison, February 27, 1951.
ODM letter from General Clay to Mr. Foster, February 27, 1951.

DUTIES AND RESPONSIBILITIES OF THE UNITED STATES REPRESENTATIVE ON THE CENTRAL GROUP, INTERNATIONAL MINERALS CONFERENCE

On behalf of the Defense Production Administrator, the United States representative on the Central Group of the IMC:

1. Participates in all meetings of the Central Group of the IMC for the purpose of determining what additional Materials Committees should be established. He will present the United States position after consultation with an Executive Committee of the United States Committee on the Foreign Supplies and Requirements established for this purpose.

2. Selects the United States Secretary and other United States employees for the Central Secretariat of the Central Group of the IMC, in consultation with the Secretary of State.

3. Selects United States representatives on International Materials Committees, in consultation with Secretary of State.

4. Provides either through himself or through the United States representative on each International Materials Committee, an Advisory Committee to this United States representative composed of officials of United States agencies with particular interest in the commodity in question.

5. Directs and controls United States representatives on International Materials Committees. After consultation with the Executive Committee referred to in No. 1 above, approves all positions to be taken by United States representatives before these committees. In reviewing and approving the United States positions, particular attention will be paid to appropriate coordination of those positions before the several International Materials Committees. In case any United States agency objects to the position approved for the United States representative on an International Materials Committee, it can appeal the decision to the full United States Committee on Foreign Supplies and Requirements for reconsideration in the usual manner.

6. Sends recommendations of the International Materials Committee requiring further action by governments to the Director of the Office of Defense Mobilization to be placed in execution as far as United States responsibility is concerned. Generally, those recommendations that fall within the authority of the DPA will be handled directly by that agency.

7. Assists the Secretary of State in carrying on negotiations with other governments when such action is required for effective implementation of programs recommended by International Materials Committees.

8. Relates activities of International Materials Committees to defense production programs of Defense Production Administration.

9. Prepares reports and circulates information to all interested Government agencies on the activities of the Central Group and Commodity Committees of the IMC.

EXHIBIT 32

MARCH 20, 1952.

UNITED STATES PRINCIPALS FOR COMMODITY MEETINGS INTERNATIONAL MATERIALS CONFERENCE

United States Member, Central Group, IMC, G. J. Ticoulat, DPA, Room 4H9 New GAO Bldg., 141–4471
Alternate: Frederick Winant, DPA, Room 4H10 New GAO Bldg., 141–5333

United States Representatives, IMC Committees

1. Copper-Zinc-Lead: David T. Marvel, NPA, Room 2C1 New GAO Bldg. 141–3351
Alternate: Edmund E. Getzin, State, Room 400F, State Annex 7, 191–4412

2. Cotton-Cotton Linters: John H. Dean, Agriculture, Room 212–W, Administration Bldg., 161–3877
Alternate: F. Marion Rhodes, Agriculture, Room 4725 South Bldg., 161–4797

3. Manganese-Nickel-Cobalt: S. S. Sheppard, DPA, Room 4H10 New GAO Bldg., 141–5335

Alternate: Ernest F. Mechlin, NPA, Room 2L8 New GAO Bldg., 141–3757
4. Pulp-Paper: Donald C. Warner, State, Room 412 State Annex 7, 191–3622
Alternate: Mathias Niewenhous, DPA, Room 4G5 New GAO Bldg., 141–3855
5. Tungsten-Molybdenum: Robert W. Bridgman, State (Acting), Room 414, State Annex 7, 191–2808
Alternate: David Duff, Jr., NPA (Acting), Room 2L8 New GAO Bldg., 141–3756
6. Sulfur: Theodore L. Sweet, MSA, Room 909, 800 Conn. Ave., 140–3100
Alternate: Derek Brooks, DPA, Room 4H11 New GAO Bldg., 141–3131
7. Wool: Elmer F. Kruse, Agriculture, Room 212–W, Administration Bldg., 161–5277
Alternate: Richard Roberts, Agriculture, Room 4725 South Building, 161–5693

EXHIBIT 33

Department of Commerce

NATIONAL PRODUCTION AUTHORITY

MAJOR CHANGES IN THE NPA ORGANIZATION

(March 1951–March 1952)

CHART I

March 16, 1951

Indicates the National Production Authority's organization immediately after abolishment of the Program Bureau at time the Defense Production Administration was activated. Policy Coordination Bureau was established to encompass coordinating and program functions which were not transferred to Defense Production Administration.

Of significance is the fact that the Industry Divisions are consolidated in one organization—Industry Operations Bureau—as they had been from the beginning of NPA in September 1950.

CHART I

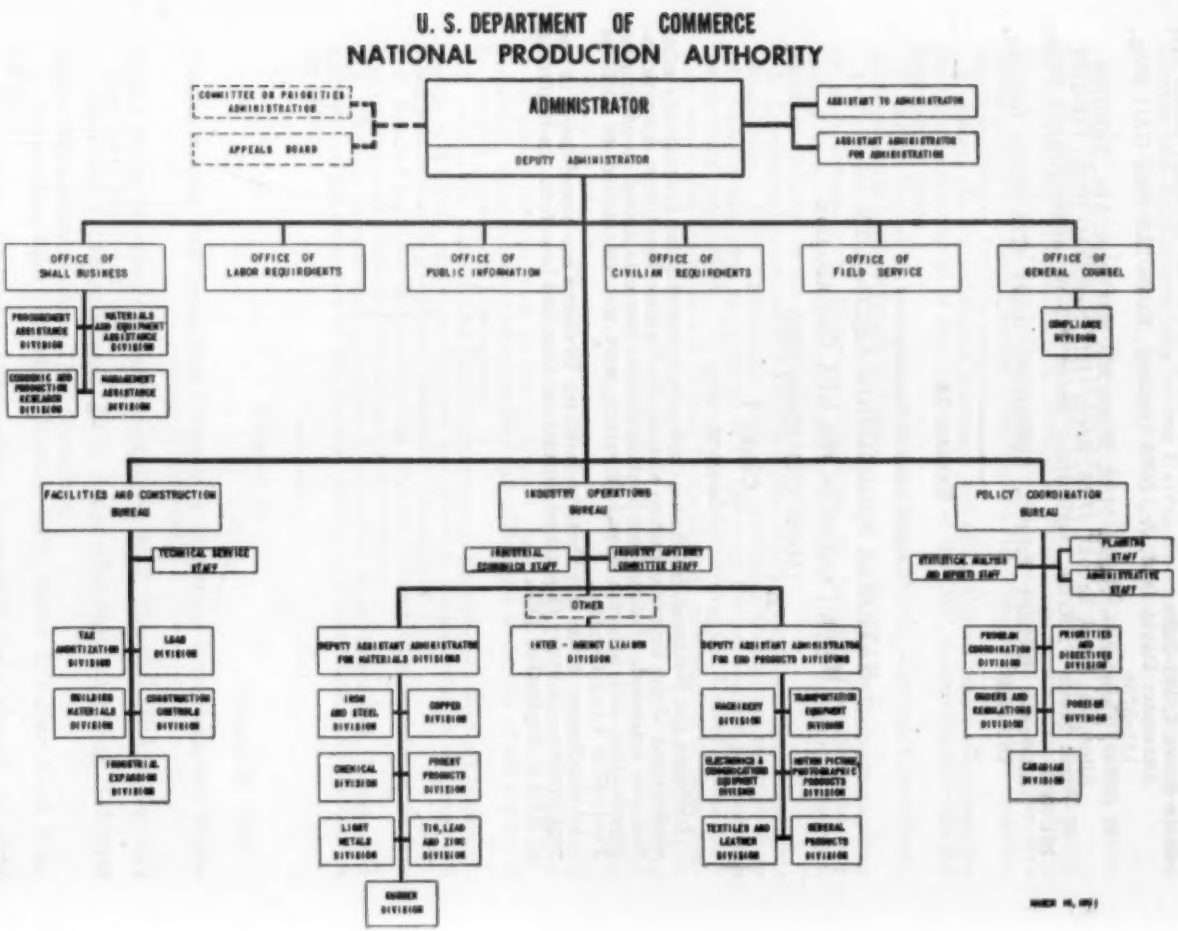
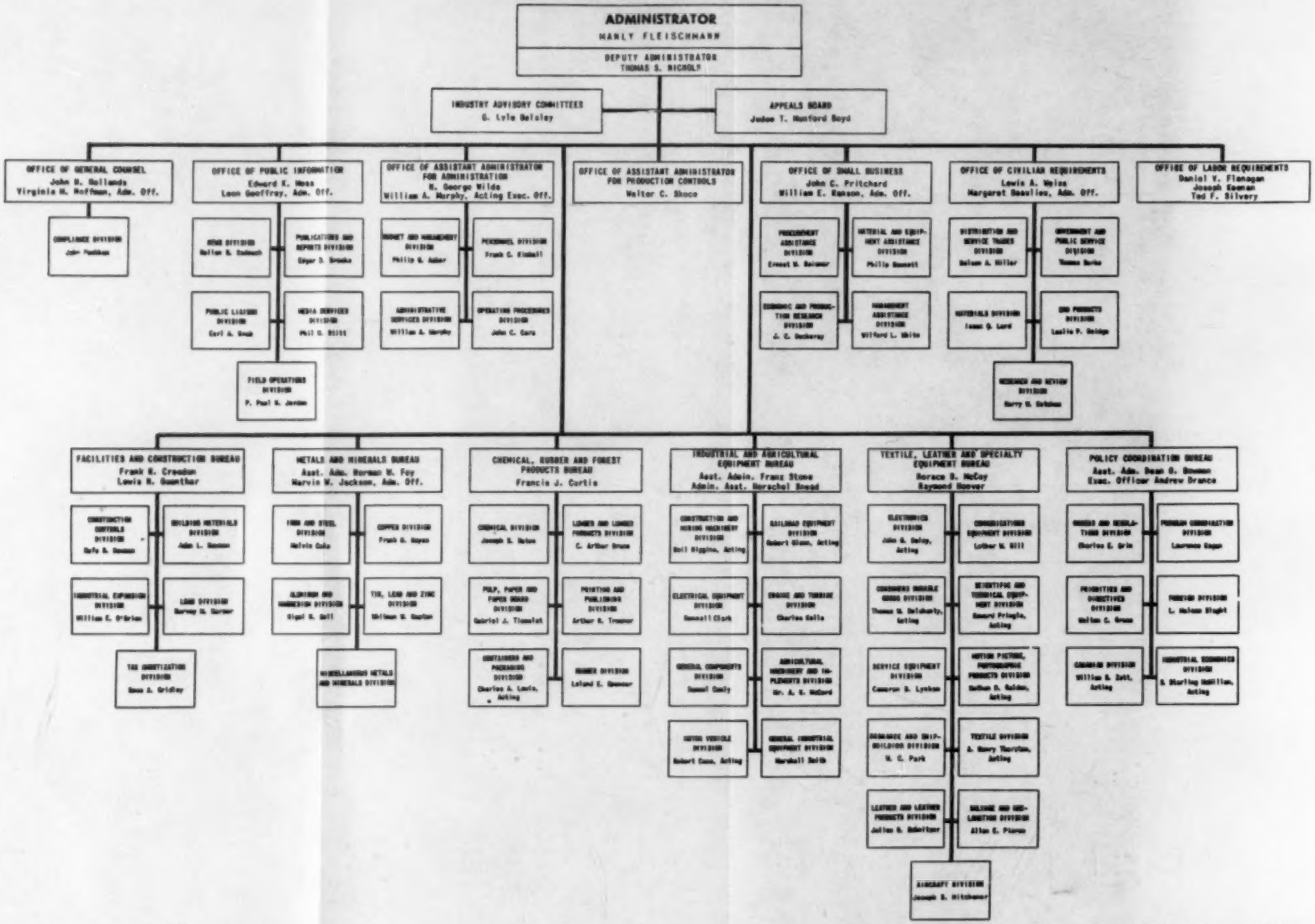

U. S. DEPARTMENT OF COMMERCE
NATIONAL PRODUCTION AUTHORITY
COMMITTEE ON PRIORITIES ADMINISTRATION
APPEALS BOARD
ADMINISTRATOR
DEPUTY ADMINISTRATOR
ASSISTANT TO ADMINISTRATOR
ASSISTANT ADMINISTRATOR FOR ADMINISTRATION
OFFICE OF SMALL BUSINESS
OFFICE OF LABOR REQUIREMENTS
OFFICE OF PUBLIC INFORMATION
OFFICE OF CIVILIAN REQUIREMENTS
OFFICE OF FIELD SERVICE
OFFICE OF GENERAL COUNSEL
COMPLIANCE DIVISION
FACILITIES AND CONSTRUCTION BUREAU
TECHNICAL SERVICE STAFF
INDUSTRY OPERATIONS BUREAU
INDUSTRIAL ECONOMICS STAFF
INDUSTRY ADVISORY COMMITTEE STAFF
OTHER
POLICY COORDINATION BUREAU
STATISTICAL ANALYSIS AND REPORTS STAFF
PLANNING STAFF
ADMINISTRATIVE STAFF
LEAD DIVISION
CONSTRUCTION CONTROLS DIVISION
INDUSTRIAL EXPANSION DIVISION
DEPUTY ASSISTANT ADMINISTRATOR FOR MATERIALS DIVISIONS
INTER - AGENCY LIAISON DIVISION
DEPUTY ASSISTANT ADMINISTRATOR FOR END PRODUCTS DIVISIONS
COPPER DIVISION
CHEMICAL DIVISION
FOREST PRODUCTS DIVISION
TIN, LEAD AND ZINC DIVISION
RUBBER DIVISION
MACHINERY DIVISION
TRANSPORTATION EQUIPMENT DIVISION
MOTION PICTURE PHOTOGRAPHIC PRODUCTS DIVISION
TEXTILES AND LEATHER DIVISION
GENERAL PRODUCTS DIVISION
PROBLEM COORDINATION DIVISION
PRIORITIES AND DIRECTIVES DIVISION
ORDERS AND REGULATIONS DIVISION
FOREIGN DIVISION
CANADIAN DIVISION

CHART II

NATIONAL PRODUCTION AUTHORITY



Prepared by Budget and Management Division
April 10 1951

87918 O - 52 - pt. 4 (Face p. 880)

CHART II

April 19, 1951

This chart reflects a major reorganization of the National Production Authority, which involved subdividing the former Industry Operations Bureau into four Industry Bureaus. This also involved subdividing former industry divisions; e. g., the former Transportation Division was abolished and the Motor Vehicle and Railroad Equipment divisions were established. In total the 13 divisions of the Industry Operations Bureau were reorganized into 30 divisions in four bureaus.

The purpose of this reorganization was to provide a structure capable of processing the approximately 45,000 CMP applications which were anticipated in May.

The Industry Advisory Committees, formerly in the Industry Operations Bureau, were transferred to the Administrator's level. Also, the Industrial Economics Staff of the Industry Operations Bureau was transferred to the Policy Coordination Bureau, and became the Industrial Economics Division.

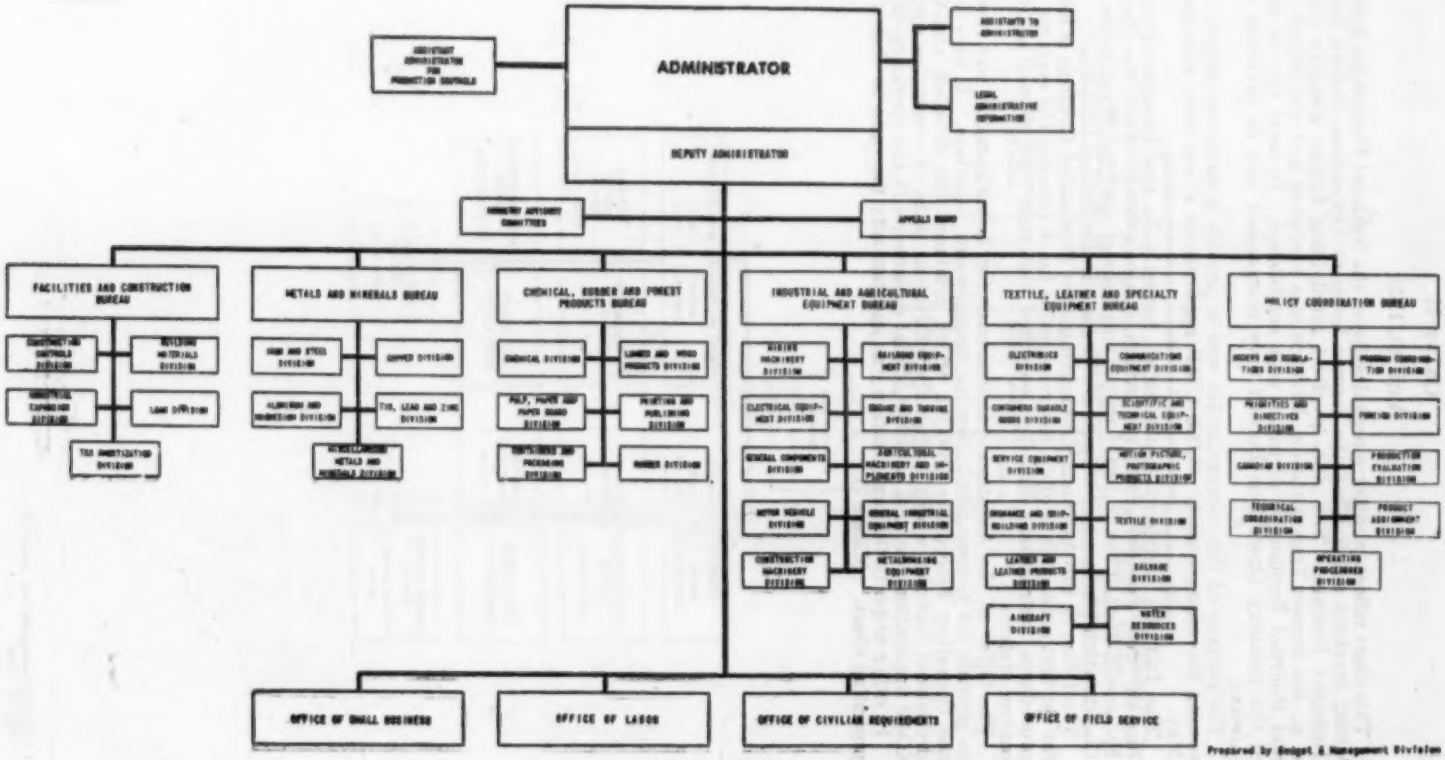
The Office of the Assistant Administrator for Production Controls is identified for the first time. This Office was responsible for developing the systems, policy, procedures, instructions, etc., for Controlled Materials Plan, as well as for other control systems.

The Office of the Assistant Administrator for Administration was formalized to provide for central administrative management functions. It also included the Operating Procedures Division which produced the detailed, step-by-step procedural material which guided the individual tasks of employees processing CMP applications, as well as other official documents in the operating divisions.

In other respects the organization was substantially the same as shown on the preceding chart. (Chart I)

CHART III

NATIONAL PRODUCTION AUTHORITY



Prepared by Budget & Management Division
OCTOBER 9, 1951

CHART III

October 9, 1951

This chart shows the organization of the National Production Authority substantially as it existed on September 1, 1951. Three new industry divisions were established, all on July 10, 1951:

(a) The Water Resources Division,
(b) The Metalworking Machinery Division,
(c) The Mining Machinery Division.

Subsequent to September 1, 1951, the following changes were made:

(a) The Technical Coordination Division and the Product Assignment Division were transferred from the Assistant Administrator for Production Controls to the Policy Coordination Bureau (October 1, 1951). This transfer reflected the fact that the Controlled Materials Plan had progressed from the planning stage to the operating stage. This, together with the change indicated below, integrated the implementation and coordination of the operating CMP program with the over-all coordinating function.

(b) The Operating Procedures Division was transferred from the Assistant Administrator for Administration to the Policy Coordination Bureau, simultaneously with the above, and for the same reason.

(c) This chart reflects that the former Salvage and Reclamation Division was renamed the Salvage Division. The former Industrial Economics Division was renamed the Production Evaluation Division.

(d) The Chief Hearing Commissioner was established on July 21, 1951, to deal with cases of noncompliance with orders and regulations of the Authority.

In other respects the chart is substantially the same as the preceding chart (Chart II).

CHART IV

March 17, 1952

This chart reflects the organization of the National Production Authority as it exists currently. Changes from the previous chart, three major and one minor, are detailed in (a), (b), (c) and (d) below:

(a) In the Policy Coordination Bureau, the Control Operations Division was established on December 23, 1951. It combines the former Technical Coordination, Product Assignment, and Operating Procedures divisions and certain implementation functions of the Production Evaluation Division. These four divisions were abolished. The purpose of this reorganization was to combine under one direction the technical functions of prescribing procedures for, coordinating and assisting operating control programs, particularly the Controlled Materials Plan.

(b) The Office of Production Analysis was established on December 23, 1951. It combined a Statistical Analysis Staff and certain functions of the Production Evaluation Division, both of which previously existed in the Policy Coordination Bureau. Its purpose is to provide a central point of direction and control for the Authority's economic and statistical analysis activities.

(c) In the Facilities and Construction Bureau, the Loan Division and the Tax Amortization Division were abolished. Their functions and some of their staff were transferred to the Office of Resources Expansion in the Defense Production Administration. The purposes of this action were to simplify and focalize responsibility for processing applications for tax amortization and loan benefits.

(d) On November 11, 1951 the Salvage Division was transferred from the Textile, Leather and Specialty Equipment Bureau to the Metals and Minerals Bureau. Essentially, this transfer recognized that the functions of the Salvage Division are more closely related to the metals area than to the range of end products for which the Textile Bureau is responsible.

EXHIBIT 33

DEFENSE PRODUCTION ADMINISTRATION—MAJOR CHANGES IN THE DPA ORGANIZATION (AUGUST 1951–JANUARY 1952)

CHART V

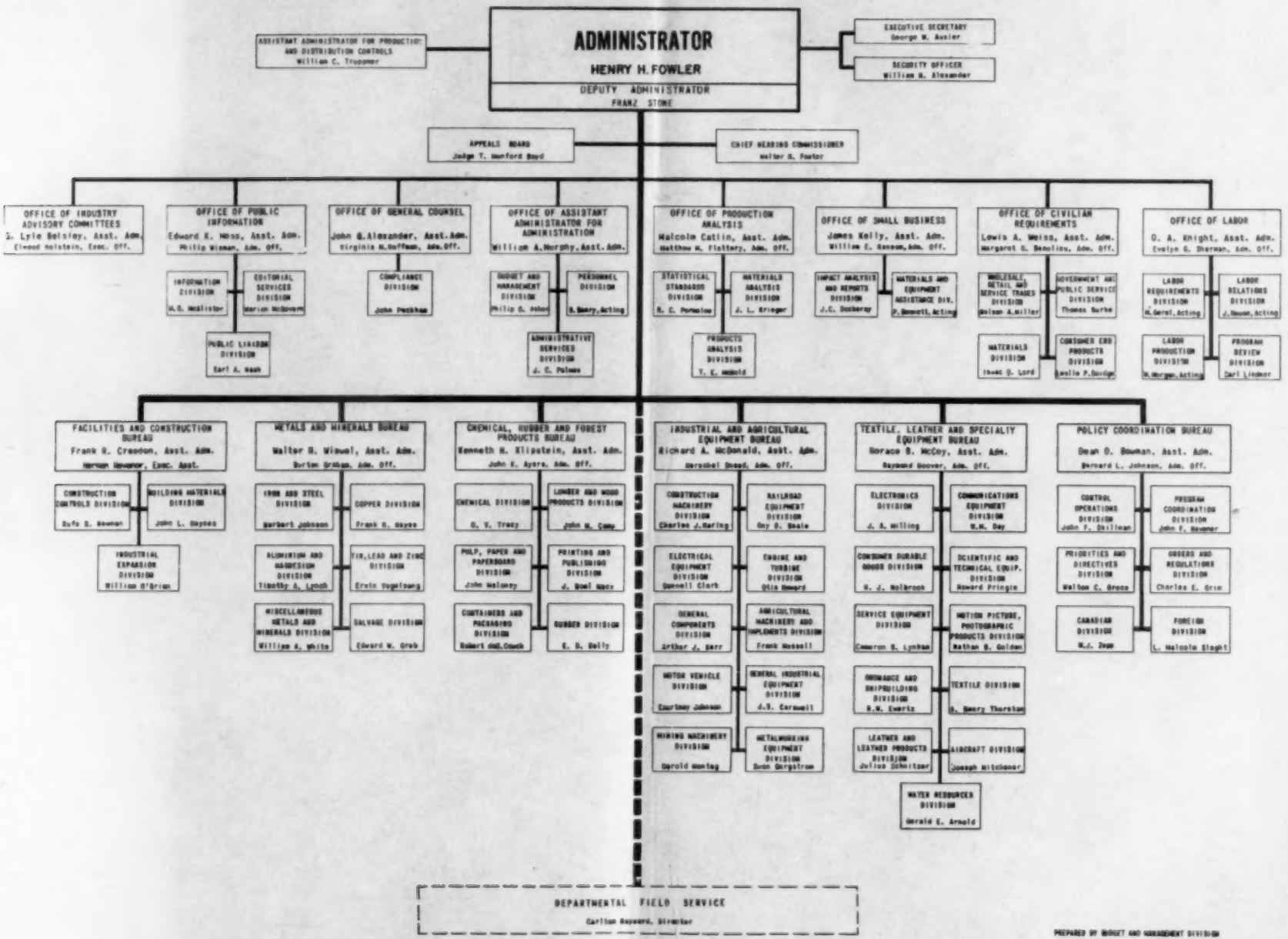
August 22, 1951

This chart illustrates the organization of the Defense Production Administration during the first quarter of operation of the Controlled Materials Plan.

The Office of Program and Requirements, which determines the basic distribution of the controlled materials among claimants, is the point of primary interest insofar as the Plan itself is concerned.

CHART IV

U.S. DEPARTMENT OF COMMERCE
NATIONAL PRODUCTION AUTHORITY



PREPARED BY BUDGET AND MANAGEMENT DIVISION
MARCH 17, 1952

87918 O - 52 - pt. 4 (Face p. 892)

CHART V

DEFENSE PRODUCTION ADMINISTRATION

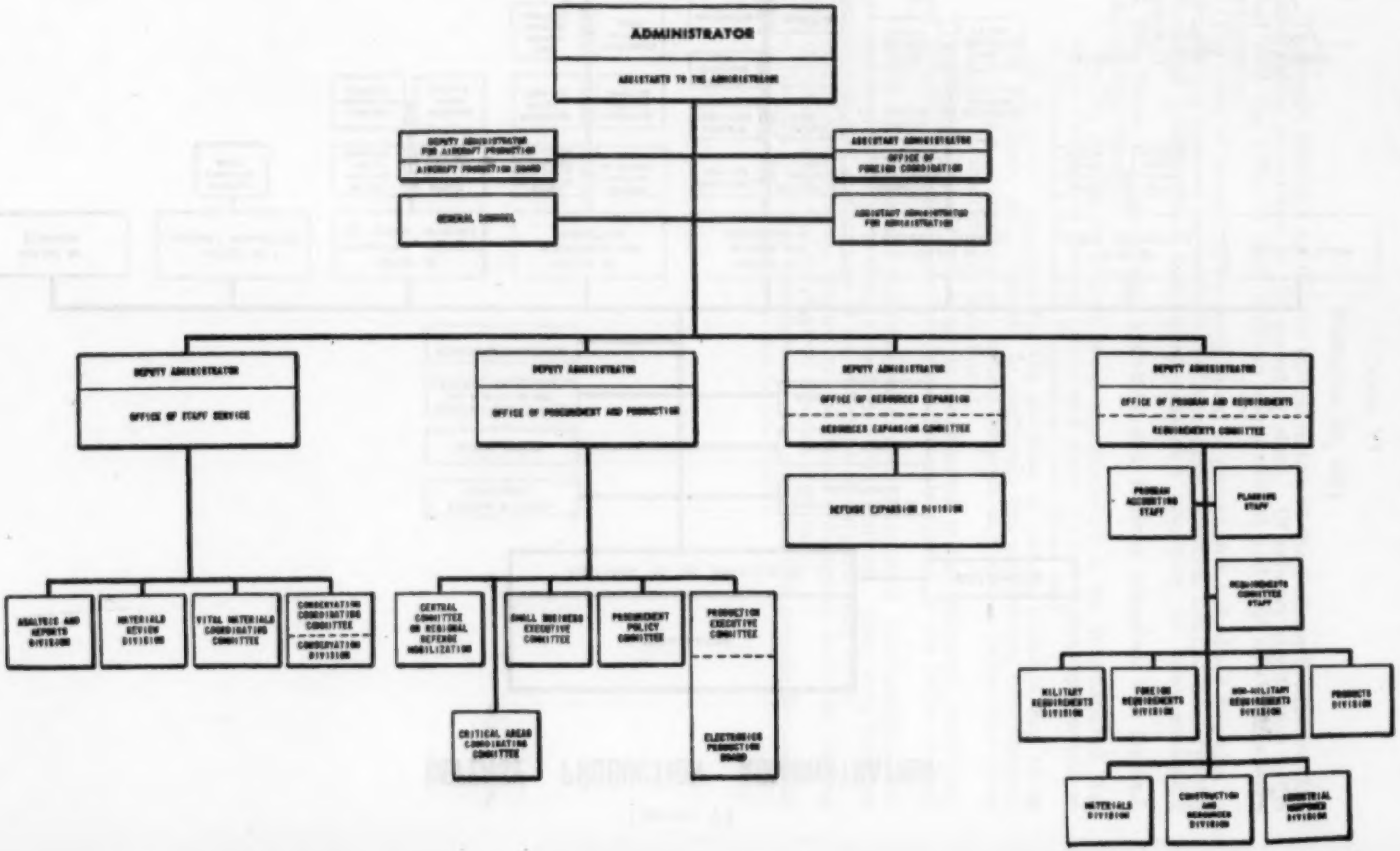
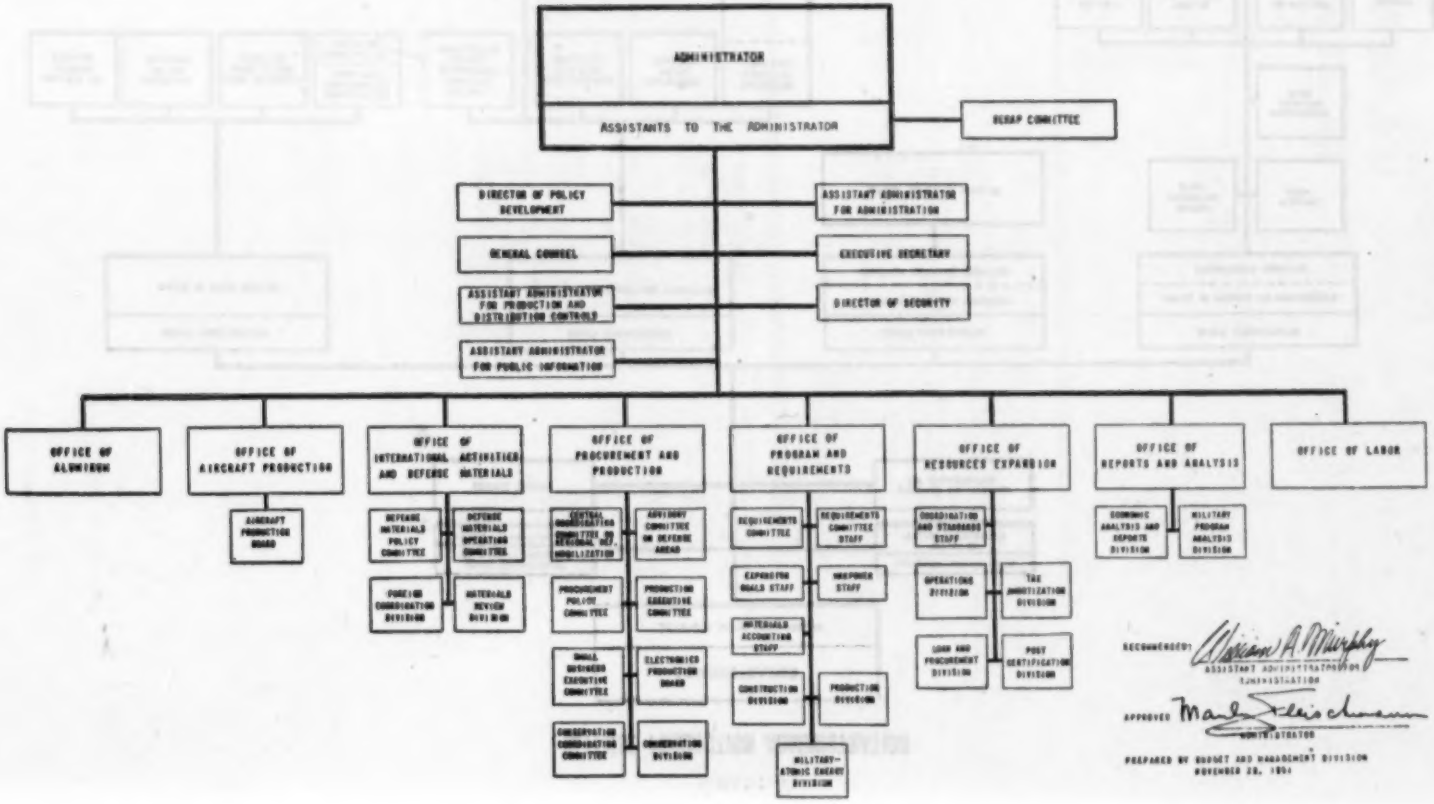


CHART VI

DEFENSE PRODUCTION ADMINISTRATION



RECOMMENDED: William A. Murphy
ASSISTANT ADMINISTRATOR FOR ADMINISTRATION

APPROVED: Manly Fleischmann
ADMINISTRATOR

PREPARED BY BUDGET AND MANAGEMENT DIVISION
NOVEMBER 28, 1951

CHART VI

November 28, 1951

This chart reflects a substantial reorganization of the Defense Production Administration in contrast to the preceding chart. Of primary significance is the fact that the Office of Staff Services was abolished and four new Offices were established.

The Office of Aluminum was established to provide for centralized direction to programs to increase the production of aluminum, alumina, bauxite, and cryolite, including smelting and fabricating expansion programs, to meet expansion goals.

The Office of International Activities and Defense Materials was created, among other things,

(*a*) to provide for United States representation in the International Materials Conference Central Group and direct United States representatives on International Materials Conference Committees; and

(*b*) to review programs for the purchase of metals, minerals, and other raw materials, and programs to encourage the exploration, development, and mining of strategic and critical minerals and metals (other than those assigned to the Office of Aluminum).

The Office of Reports and Analysis encompassed certain economic, statistical, and program evaluation functions which formerly existed in the Office of Staff Services.

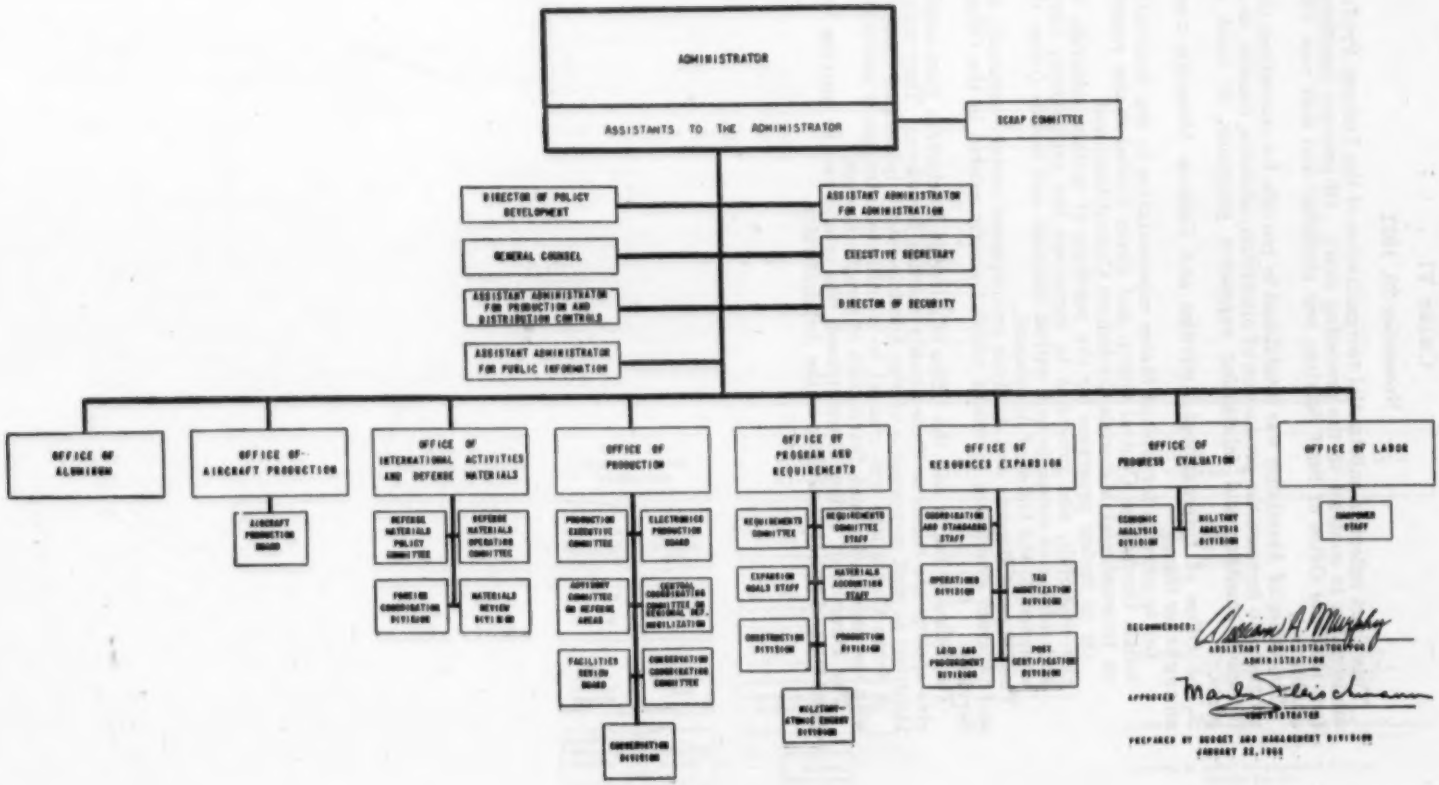
The Office of Labor and the Office of Aircraft Production were established to give appropriate status to these already existing functions. They were formerly identified as staff components of the Administrator's immediate office.

A Scrap Committee was created to coordinate interagency activities dealing with the reclamation and distribution of scrap materials.

The Director of Policy Development was established to provide for over-all planning and policy assistance to the Administrator.

CHART VII

DEFENSE PRODUCTION ADMINISTRATION



RECOMMENDED: William A. Murphy
ASSISTANT ADMINISTRATOR
ADMINISTRATION

APPROVED: Manly Fleischmann
ADMINISTRATOR

PREPARED BY BUDGET AND MANAGEMENT DIVISION
JANUARY 22, 1951

CHART VII

January 22, 1952

This chart reflects the Defense Production Administration's organization substantially as it exists at present.

The only significant change from the preceding chart is the renaming of the Office of Reports and Analysis as the Office of Progress Evaluation. This reflects a redistribution of functions between this Office and the Office of Production Analysis in the National Production Authority. In this redistribution, greater emphasis is given to the function of analyzing, evaluating, and reporting upon the effectiveness of programs in meeting established goals.

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